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ECONOMIC AND INDUSTRIAL AFFAIRS

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CSSR-USSR AGRICULTURAL COOPERATION EXTENSIVE

Prague SVET HOSPODARSTVI in Czech 23 Mar 83 pp 1, 2

[Article by Eng Petr Samek, FMZV [Federal Ministry of Agriculture and Food] and Dr Eng Vaclav Jerman, FMMR [Federal Ministry of Technological and Investment Development]: "Extensive Cooperation in Agriculture"]

[Text] The scientific-technological cooperatin in agriculture between the CSSR and the USSR, based on traditions of many years, takes place in every main sector of agricultural production and is extremely important for its development. Partner institutes specify selected problems whose solution is advantageous for both sides. This primarily involves cooperation in developing and producing improved seed for malt barley and wheat, which is a great boon for Czechoslovak grain production.

Our grain production has experienced a dynamic development in the mid-1960's. Yields of winter wheat began to grow progressively since 1967 when Soviet hybrid Mironovskaya 808 began to be sown on a considerable part of the acreage in the CSSR. It was precisely this hybrid that was assigned a major share of the wheat acreage and has become the main stabilizing factor in grain yields over the past three 5-year plans. The Mironovskaya hybrids were grown in the CSSR since 1967 on a total area of 7.5 million hectares and produced 3 million tons of top-quality grain. Because of their outstanding economic and biological properties, Soviet hybrids are widely used in grain improvement programs; in recent years they were used in 65 percent of hybridization programs conducted by institutes for improved cultivation. During the Sixth 5-Year Plan, 10 new wheat hybrids were developed on the basis of Soviet hybrids and licensed. Soviet experts are using Czechoslovak genetic funds to develop spring barley adapted to the conditions of the Ukraine.

At present this cooperation continues in an intensive and efficient way. Partner institutes are exchanging sample strains, hybrid generations and hybrid barley and wheat according to a program of operation and evaluate their fundamental characteristics according to data obtained during their vegetative period; thus, both partners are fully engaged in their improvement process. Concurrent research programs are focused on improving the methods of development, efficient use of genetic funds, the development of important genetic qualities of the future hybrids, etc.

Our scientific and technical cooperation with the USSR, however, is not focused on grain production alone; it includes other topics as well.

A bilateral agreement concluded in 1976 deals with the specification of a number of problems concerning the cultivation, harvesting and processing of hops, and another agreement concerning a part of that program, signed in 1978, established two temporary international teams. One team with headquarters in the CSSR is concentrating on the solution of mechanized cultivation, harvesting and postharvest treatment of hops, and the other, with headquarters in the USSR, focuses on the solution of genetics and improvement of hops. This cooperation is now under way. In the cooperation of the Czechoslovak and Soviet experts, the first team designed a tractor platform trailer for attaching preset hops guidelines from wire to bales. Functional models of special equipment for wrapping such bundles were developed by a joint program in both countries. Mobile platforms passed their test runs in the CSSR and USSR with flying colors and a method using loops (nooses) to attach the wire was recommended. The SCHK-79 plan for hops yard construction was jointly developed with minimum consumption of construction materials. An experimental hops yard has already been built in the CSSR on 8.2 hectares and the USSR plans to build a similar hops yard.

The other team prepared methods for accelerated development of hops hybrids in 6 to 7 years and a model for the development of hybrids with basic parameters corresponding to the vital needs of both countries. This cooperation includes intensive mutual exchange of seed stock and on its basis more than 1,400 seedlings have already been grown. Furthermore, two joint expeditions searched for wild hops growing in the USSR and in the Carpathian area.

The program for design of technological equipment for irrigation of agricultural crops developed better technologies, for example, for the cultivation of winter wheat, alfalfa and soy beans; systems and methods of more rational water consumption in irrigation were improved. A system of basic soil preparation and treatment before sowing was introduced. Correct amounts of mineral fertilizer application were determined, more suitable schedules and methods for their application were proposed according to the fertility of the soil and the planned yields in order to derive a higher effect from the fertilizers.

At the present stage, the cooperation is focused on design of new technologies for the cultivation of corn under irrigation.

Cooperation in developing better sugar beets concentrates on single-sprouting hybrids. On the basis of joint field experiments in the development of planters for hybridization programs, several single-sprouting stocks were sown. In the generative stage, 5 Soviet single-sprouting strains were cross-pollinated with Dobrovicka "C," Dobrovicka "N," Wohanka and 2 tetraploid pollinators, thus producing 25 combinations; one with sterile pollen was crossed with multisprouting pollinator resistant to cirrhospora. This cooperation continues and exchanges of information and samples of sugar and fodder beet seeds have been stepped up.

The previous cooperation in agrotechnology and improvement of fruit cultures has been transferred from the USSR Ministry of Agriculture to the auspices of the USSR Ministry of Vegetable and Fruit Economy, newly established on the basis of the USSR food program. In the CSSR, the program for scientific and technological cooperation with said ministry was organized in September of this [sic] year and coordinated by the FMZVz.

In terms of fruit production, far-reaching exchanges of improved stock took place and steps were taken to establish an orchard in the USSR where hybrids produced by Moldavian and Czech improvement programs will be cultivated, each hybrid on 0.5 to 1 hectare. In the CSSR, the same hyubrids will be grown in south Moravia. The basic task calls for the development of new hybrids adapted to local conditions, more resistant to frost and diseases, and producing delicious fruit. The superior hybrids were selected and are now being tested. The development of a strain of apricot for grafting produced interesting results; four strains which were cultivated are particularly frost-resistant, produce high yields, have a high germination rate (up to 95 percent), and are free of virus and easy to graft. Apollo and Jupiter, two walnut hybrids, were developed with characteristics of early fruit-bearing, considerable resistance to frost, self-pollination and high yield. In accordance with the plan of operation, the special Czechoslovak program for prophylactic protection of fruit trees against viral diseases is undergoing tests in the USSR.

The newly established program for scientific and technological cooperation with the Ministry of Vegetable and Fruit Economy of the USSR is expanding the current cooperation by developing technologies for high yields of gooseberries and currants and dealing with problems related to mechanized fruit production.

In the framework of the newly organized cooperation in the sector of vegetable cultivation, new technologies for industrial production of onions and their seed, for improvement of high-yielding hybrids and hybrid cucumbers and tomatoes of top technological qualities, resistant to diseases and suitable for mechanized cultivation and harvesting, methods for preservation and multiplication of noncrossable strains of cabbage will be developed in order to cut the costs of the production of F_1 hybrid seeds. Mechanized equipment will be designed for the cultivation of garlic.

In addition, our cooperation involves problems of developing high-yielding hybrids of flax outstanding for the excellent quality of their fiber, their brief period of vegetation and their resistance against matting and disease. Concurrently, technology for their cultivation is being designed with the objective of preparing a technological plan and testing and construction facilities for packing the raw material into large bales.

The groundwork for an agreement to establish a temporary international team with headquarters in the USSR is now nearing completion of the tasks under section "Conservation of Moist Flax Stems." This form of cooperation will be mutually advantageous and is expected to benefit the CSSR by determining the prospects of using balers to bundle bedewed flax containing more

than 18 percent moisture. Considering the fact that the currently valid standard makes it possible to harvest only flax with less than 18 percent moisture, the current seasonal operation of balers is limited to no more than 40-50 hectares. If a suitable preservative is discovered, it may be possible to bale flax with even greater amounts of moisture (up to 30 percent). Thus, the period of operation of balers might be extended as much as 30 percent. Since a baler services 0.7 to 0.8 hectares per hour, that would mean an additional 21 to 36 hectares per machine per season. Moreover, the solution of this problem will drastically reduce the demand for work forces because at present flax is harvested manually on 70-80 percent of its area of cultivation.

In the sector of legumes, cooperation focuses on improving new hybrids of lupine, soy and fava beans, and peas; the program includes intensive exchanges of improved stocks which are bilaterally evaluated every year. At the same time, agrotechnology for cultivation of legumes is being designed.

In livestock production, scientific research and planning organizations are dealing with the construction of advanced model poultry farms. In this cooperation program, a joint experimental technical plan was developed for building a farm for fattening 500,000 geese in both countries. The first unit of that farm is now under construction by the production association in Kokchetav, USSR, and in Dunajska Streda and Michalovce, CSSR. Efficient joint cooperation by the Czechoslovak and Soviet experts made it possible to design in a relatively brief time a plan in accordance with advanced modern trends, highly demanding standards of mechanized and automated production processes, and superior economic parameters. Scientific and technological cooperation with the CSSR with the USSR helped overcome problems connected with transferring the greese-fattening process to industrial facilities. Furthermore, plans were prepared for the technical experimental Project for Poultry Farm with annual capacity of 400,000 caged turkeys, and a large production facility for 3,000 tons of meat, with grate floor. The construction of such facilities in the CSSR and USSR is already in the planning stage. The above-mentioned large poultry farms will enable both partners to study in detail that experience, make specific recommendations and apply them in designs of modern model projects.

While jointly developing methods for disinfection and treatment of stable manure in giant mechanized farms, three variants of technical designs were developed for the treatment of manure. The first two--the system for separation of the manure into solid and liquid fractions and their application as fertilizer, and the system of separating the manure into solid and liquid fraction for the use of the solid fraction as fertilizer and the liquid fraction as waste--have already undergone economic testing. Experimental buildings for them are planned in the hog-raising farms in Hodonin and Opava. The third variant--the system for the treatment of manure in septic tanks producing flammable gas for technological purposes and solid and liquid fractions for fertilizer--is planned for construction in the USSR in the Moskovskii Bekon hog-raising association in Ostanskii Sovhkoz.

This cooperation, which most consistently applies division of labor, is very efficient. For instance, our Soviet partner provided Czechoslovak experts with the findings of a research program concerning the removal of excrement with water under pressure. By adopting these data, the CSSR was able to terminate its own research of said topics. The use of centrifugal filters for separation of excrements is being studied in the USSR, while the CSSR is conducting research on decanting centrifuges in vibrating separators. The Czechoslovak partner submitted the "Fertilization with Hog Manure" method now applied in the CSSR for adoption to Soviet institutions.

In addition to mutual exchanges of experts studying long-range projects, several joint consultations are taking place. Cooperation has been expanded by additional new cycles and sectors developing in regular sessions of the representatives of agricultural departments in both countries and from meetings of the top political leaders of both sides. Topics emerging from such meetings dealt, for example, with hydrothermal-pressure processing of straw for fodder, new methods of extended preservation of fodders on a biological basis, and potential cultivation of botanical species and other resources for which industrial processing for use as fodder in livestock production and in human nutrition has been only recently resolved.

The past 5-year period was notable for the concerted effort to select the most relevant topics for cooperation in 1981-1985 and for the application of such forms of cooperation that accelerates and upgrade the solution of problems. Topics from 1976-1980 which were carried over to the current period will guarantee a dynamic scientific and technical development in agriculture by concentration of scientific technical capacities in both countries. Furthermore, the agenda of both temporary international teams continues to focus on a number of issues concerning the cultivation, harvesting, post-harvest treatment and the development of new hybrids of hops with potential yields of 25-30 quintals per hectare. Several solutions of the problems under study will be applied in new, advanced poultry farms with industrial technology. Model poultry farms with industrial technology will be designed on the basis of the tested construction of an experimental farm. In the development and introduction of highly efficient systems for the removal, processing and application of liquid manure from hog farms, technological units for the treatment of litterless stable manure with 92-94 percent moisture, and liquid dung with 95-98 percent moisture, and their use as fertilizers will be tested. The construction of technological equipment and facilities for the treatment of litterless solid and liquid manure will be definitely resolved and operational plans for their treatment systems will be developed.

Cooperation in fruit production will lead, among other things, to the development of technology for the production of apricots with the use of comprehensive mechanization, to the planning and verification of a unified method for primary hybrid testing and development of improved fruit, and to the development of methods for cloning of virus-free fruit, etc.

Improvement and development of new hybrid winter wheat and barley are focused on the development of superior hybrids of winter wheat with potential yield of 80 to 90 quintals per hectare, notable for their excellent quality of grain and resistance to matting, frost and fungus, and of hybrid barley with a potential yield of 60 to 70 quintals per hectare, resistant against drought, matting and fungus, producing grain of superior technological qualities.

The scientific research organizations in both countries will continue their cooperation in improving the technologies for processing and storing fodder for cattle, with mainly targeting on drastic reduction of losses of nutrients and on long-term storage of fodder with conservation of all vital qualities of the fodder.

Furthermore, scientific research organizations in both countries will cooperate in fulfilling the tasks of the "Comprehensive Program for Scientific Technical Cooperation Between the CSSR and the USSR in the Sector of Biochemization and Chemization of Agricultural Production in 1981-1985." That will primarily involve further specification of standard consumption of vitamins, microelements and amino acids in livestock nutrition, and veterinary and biomedical assessment of loose types of stable vitamin products in fodder.

Our cooperation will gradually be expanded by exchanges and introduction of technological equipment for cultivation of selected types of crops. It is presumed that this form of cooperation will expeditiously introduce advanced technologies in agricultural cultivation.

Considerable attention is focused by both partners on the application of more efficient forms of cooperation. It is characteristic for the current period that the heretofore scientific technical cooperation is being transferred to a contractual base. In an effort to cooperate in the entire "research-development-production—consumption" cycle, the topics assigned for the 1981-1985 period are divided into two groups, the first characterized by the results to be put into practice in 1981-1985 and the other with results to be put into practice prior to 1990. At the same time, both partners will focus mainly on joint approaches to the solution, which will facilitate efficient cooperation with actual introduction of its achievements in the production. Thus, internal resources will be used more rationally and it will be possible to implement results more expeditiously in agricultural production, results which on our own we would have to apply far more slowly.

The previous cooperation between scientific research organizations in the CSSR and USSR, which is based on operational plans, will be set on a contractual basis during this 5-year period. For that purpose, several contracts will be signed; they will specify precisely the terms and tasks of the partner organizations and help promote the mandatory character of cooperation.

For an even more distant perspective, in conjunction with the implementation of both the USSR food program and that of the CSSR now in the stage of

preparation, the scientific research capacities of both partners will concentrate on the solution of vital tasks stemming from the programs (many of them have already been included in the current program of cooperation) and fostering a more dynamic development of agriculture in both countries.

9004
CSO: 2400/224

ECONOMIC PERFORMANCE OF AGRICULTURE IN 1982 ASSESSED

Prague SVET HOSPODARSTVI in Czech 30 Mar 83 pp 1, 2

[Article by Bozena Kuklova: "Results in the Agricultural and Food Branches"]

[Text] Results in agriculture during 1982 were generally favorable, even though planned requirements were not fully met. While gross agricultural production of the organizations under the Federal Ministry of Agriculture rose over 1981 by 2.1 percent, overall results were 2.2 percent short of plan. Following a poor harvest in 1981, we managed to raise plant production (notably grain by 9.2 percent), nonetheless, the underfulfillment of the plan by 6.6 percent represents an important item in the overall shortfall in planned gross agricultural production. Sugar beet yields were significantly higher (17.8 percent), exceeding the plan by 5.3 percent. Production improved in vegetables and especially fruits, while the potato and rape harvest was lower.

In animal production, deliveries for state purchase were met (except for a small shortfall in milk of 0.2 percent), thus ensuring the planned reduction in gross animal production as against last year (pork breeding was significantly limited). In addition, the standing disproportion between plant and animal production was moderated.

Gross food industry production for 1982 was 1.8 percent higher than the plan but 2.6 percent lower than 1981 as a result of lower deliveries of agircultural raw materials, especially for the meat, fowl and alcohol-distilling industries.

Results of economic agricultural and food organizations in the fiscal sphere were also favorable. Planned performance for the branch as a whole was surpassed by 1.5 percent and, with the addition of special revenues, by 2 percent. While overall outlays were also exceeded, but by less in relative terms (1.4 percent), the overall gain in the amount of Kcs 17.2 billion, is Kcs 2.0 billion, i.e., 13.1 percent above the planned level.

The best economic results were achieved by organizations of the agricultural sector, whose profit amounting to Kcs 11.6 billion is 16.2 percent higher than called for in the plan. These organizations fulfilled the performance plan, including special revenues, by 103.2 percent, exceeded planned outlays by 2.1 percent, of which material outlays by 2.7 percent. Nonfulfillment of planned gross agricultural production in these organizations was fiscally compensated for by better marketing prices (through better quality especially in sugar beets) and coverage of losses sustained in production (from state insurance and funds for compensation of uninsurable losses in plant production).

Planned profits were also exceeded in organizations of the food industry (7.0 percent) and agricultural supply and purchases (8.3 percent). Adjusted planned performance in the food industry was surpassed 4.4 percent.

Despite better overall fiscal ersults, certain agricultural organizations registered higher dispersion of economic results in the amount of Kcs 442 million. This situation occurred in 122 JZD [unified agricultural cooperatives] and 6 state farms.

In comparison with fiscal results in 1982, overall branch performance in 1982, including special revenues, was higher by 11.3 percent and outlays by 10.1 percent. These high indices of growth are partially a reflection of a material rise in production, but largely due to higher prices of both input (material outlays) and output (profits on achieved production and subsidies). New economic instruments have become effective in 1982 and an adjustment of wholesale prices was carried out.

Changes in prices have generally contributed to strengthening the revenue situation in the organizations, as well as profits in the branch as a whole, which were higher than in 1981 by Kcs 4.2 billion, i.e., 32.1 percent. The level of profits also rose, albeit more slowly, by 19.8 percent, and profit per Kcs 100 of investment was Kcs 6.59.

Profitability development differs with individual groups of organizations. While organizations of the food industry registered moderately higher profit margins in overall volume (index 82/81 is 101.1), their measure of profitability fell from 4.88 percent in 1981 to 4.2 percent in 1982. In agricultural supply and purchases, both indicators are worse, i.e., profit lower by 28.1 percent and measure of profitability dropped from 5.73 to 4.31 percent.

The new economic instruments brought about a significant improvement in the performance of primary agricultural production. Profits of agricultural organizations were higher than in 1981 by Kcs 4.5 billion, i.e., 62.3 percent, the measure of profitability rose from 5.94 to 9.0 percent, of which cooperatives 9.1 percent and state farms 5.0 percent. Differences in economic results among organizations were also less pronounced and none of the JZD suffered losses.

The overall profit volume was at a level last achieved in 1974 when outlays were, of course, significantly lower. In that year the measure of profitability for the branch as a whole was 9.9 percent, making its current level lower by one-third. This factor also currently limits expanded reproduction of production funds.

In the area of currency funding, the situation is generally stabilized in that the considerable annual increment in supplies of Kcs 10.6 billion or 8.6 percent for the branch as a whole, was fully covered by the organizations' own resources. The currency share of operational credits generally remains at 33 percent. In long-term perspective, however, it is quite different in the individual groups of organizations. In the food industry (according to data of 31 December 1982) operational funds cover 46 percent of currency means; in agricultural supply and purchases, 70 percent; in agriculture proper, 24 percent of currency means. Considerable differences among individual groups of agricultural organizations are also found in credit participation. During the recent period, credits have stagnated in state farms and in 1982 actually dropped in absolute terms. Their share in currency means as of 31 December 1982 was 30 percent. In cooperative organizations where credit indebtedness has risen sharply in recent years, the share of operational credits in currency means is still the lowest at 20 percent. In centrally managed state agricultural organizations, the share in credits has risen to 35 percent and in services organizations to 32 percent.

The organizations' own resources are oriented on a priority basis toward financing capital investment construction, while credit participation has in re-ent years been rising only moderately. In 1982, the branch as a whole covered 25 percent of work performed and deliveries for investment construction. In this sphere, the differences among individual groups of organizations are not as pronounced as in operations. Relatively speaking, in 1982 the largest amount of investment credit was drawn by organizations of the food industry, i.e., 32 percent of utilized sources of financing, while in cooperative organizations credits amounted to 25 percent and in state agricultural organizations and ZZN [agricultural supply and procurement] it reached 21 percent.

Fiscal results in the agricultural and food organizations in 1982 and the overall financial situation in these organizations, offer favorable prerequisites for the fulfillment of the tasks for 1983.

9496
CSO: 2400/252

SHORTCOMINGS IN ELECTRONICS FOR MACHINE TOOLS DISCUSSED BY PANEL

Prague HOSPODARSKE NOVINY in Czech 15 Apr 83 pp 8-9

[Interview with Eng Karel Albrecht, head of the Automation Department in the general management of the Machinery Technology Plants; Eng Jindrich Hlubocky, deputy director for development in the Tesla Kolin concern enterprise; Eng Josef Jarabica, Technological Development Sector of the Federal Ministry of the Electrotechnical Industry; Eng Pravdomil Lang, head of the Developmental Department in the Research Institute for Automation Resources; Eng Dimitrij Lauermann, Production Sector of the Federal Ministry of Electrotechnical Industry; Eng Karel Pohl, deputy manager for technology in the Machinery Technology Plants Varnsdorf Machine Tool Production Plant, and Eng Jaromir Zeleny, CSc, head of machine tool research in the Research Institute for Machine Tools and Machining, by Miroslav Kana and Zdenek Skoda: "Can We Handle Application of Electronics?"; date and place not given]

[Text] When users talk about electronization of the national economy, they often say we need this or that, but it is not supplied by manufacturers of electronic equipment. However, the blame is not just with manufacturers of parts who are only too easily made the scapegoats for all misfortunes. A share of blame for the status quo accrues also to users, who quite often try to hold responsible everybody else but themselves, even though it is they with whom electronization of their production and products must start, including electronization of the electronics industry, that is effective use of materials in the form of subcontracts for electronics. When electronization of the national economy is discussed by producers of electronic equipment, the situation is often the same--a multitude of words about what they lack, what they could use, what they cannot get from others. True, there are practical users who have for a long time not been able to envision their future without systematic preparation of electronization. (By the way, how come that they have what they need? Probably due to their own initiative.) Nevertheless, the impression of the carefree approach or, better yet, relying that someone up there will straighten things out, is

entirely too strong. Thus, through a confrontation of interests from several workplaces--not just producers and not just users--we attempted to arrive at a consensus of opinion as to what must be done first. As this can be expected to occur in places that constitute the front line, we looked for partners in a sector where the use of electronics and its expected effects are the most characteristic feature.

We wanted those who will have to start playing first fiddle as soon as possible to express what is needed to improve our export situation if that is at all possible in a brief, informal panel discussion. A session without formalities and guarantees for every single word spoken, as we have found out on several occasions, tends to loosen tongues to the point of uncomfortable candidness, but it brings people together.

Self-confidence

[Question] Can our machine tools and forming machines compete from the functional viewpoint, as regards electronic equipment, reliability and service, in confrontation on the world's markets?

[Albrecht] According to the results achieved to date it can be said that mechanically they are at a level comparable to top products. Many of them are in the top-quality bracket. Nevertheless, we are experiencing marketing difficulties in nonsocialist countries when the machinery is equipped with electronic control systems and electric accessories of domestic production.

[Hlubocky] In my opinion, thecomputerized numerical control systems will prove to be viable, in price as well. For example, calculations for the NS 570 system come out to approximately Kcs 230,000 to 240,000. That is a relatively low price. In the indicator of foreign-currency valorization of costs, consideration is given only to valorization of costs in the case of a final producer. Whatever we buy in parts then fails to show up in foreign-currency valorization.

I dare say that in the case of routine products we attain a reliability level comparable to that of foreign products. This has been verified at several workplaces where machinery equipped with Siemens and domestic systems work side by side and customers have been objectively documenting their identical reliability.

[Question] Could you, C. Albrecht, point out in closer detail what constitutes the specific causes of difficulties?

[Albrecht] Let's start with what we can do little about: the potential customer may already have in operation a system of a different provenance. But mainly with what we can do something about: a foreign supplier arranges for repairs within 24 hours. It takes us a whole week at best.

[Hlubocky] Providing of servicing abroad comes under Strojimport. That is outside the jurisdiction of theproducer, for that he has neither the prerequisites nor the resources. The most time is taken up by getting the repairman to the spot.

[Albrecht] Our machinery equipped with numerical controls is also produced at a high cost, a substantial part of which is constituted by subcontracts for electronic systems. That makes it difficult to make offers at an attractive price.

[Lauermann] We are aware of these sore spots and are trying to improve the situation. For instance, we envision increasing the number of programmers and maintenance and servicing personnel in order to improve the efficiency of operations and, thus, also of foreign trade. Offering of service and software is a strong selling argument.

[Question] We read that a certain tropical-fruit importer in Hamburg selected the Nixdorf computer mainly because it offered complete software package which made it possible to make the entire system operational in 4 months. Besides, generation of software poses no demand on materials.

[Zeleny] While the entire world is today introducing machine tool centers on a large scale to promote high labor productivity, the share of this machinery in our country is still low. The commencing development also offers for the time being no justification for expecting a radical change in the near future. Its economic roots are tied in witn the possibilities of our electrotechnical industry and not just electronics. We still need many additional structural elements to come up with a modern production machine. These include miniaturized high-voltage parts, handling systems, sensors and metering equipment to provide for automated operation of a given technological unit. This is another cause of difficulties.

[Question] We saw an analysis prepared by the Research Institute of Engineering Technology and Economy, according to which 55 percent of machinery exports pose an above-average demand on ferrous metals and difficulties are encountered in some cases to at least recover the overall expended costs. That clearly shows that our production often contains a lower share of labor value added and, thus, also of electronics.

[Zeleny] Effectiveness of foreign trade measured by a differential indicator as the ratio of prices quoted as "all charges paid" to the wholesale price has been considerably decreasing in our sector with the share of control technology. The same applies to machinery destined for use within the country. Thus, users still prefer simpler machinery and exporters object that the market still accepts machinery with a lower level of automation.

[Pohl] That is contrary to our experience. Sales of manually operated horizontal boring and milling machines to advanced capitalist countries have lately become almost impossible, but numerically controlled machines WHN 9B and WHN 13A/B can be sold. But only if equipped with electric

components which we procure either on the basis of a temporary import admission or through our foreign-currency regulations. In our opinion, the key obstacle is inflexible servicing. If we can use control systems of foreign origin in final assembly of our machinery and sell them, it says something about its technical level. Yet, our goal cannot be exportation of mainly metal--even though of good workmanship--and let others scoop off the economic cream. Designing of the NS 260 system was relatively expedient, and it could resolve some of our worries.

For the most part, we deal with partial, departmental or sectorial effectiveness, as we are forced to by, e.g., d[illegible] export quotas. That fails to reflect their societal effectiveness. Parts can produce differing effects, but their sum should produce overall an active surplus.

[Hlubocky] We are living in specific economic conditions and, thus, cannot expect to achieve low prices overnight. Even the worldwide decrease in prices of control systems has shown gradual progress. As long as the current methodology of pricing applies to enterprises supplying electronic equipment, we will have to become reconciled with the fact that price decreases will be slow in coming. Consideration could possibly be given to providing some form of help during introduction of new products, be it in the form of lower profits or lower depreciation in the initial years. Then serial production increases, production costs go down and the new products become lucrative. We know examples of this practice from abroad, e.g., from the GDR. I think that the GDR is today reaping what it invested into its electronic industry some 8-10 years ago.

Tesla Kolin also provides today improved systems at lower prices than charged for systems of the previous generation, and another price modification should occur in the course of the year. Thus, we are witnessing in our country a recurrence of the worldwide development--regrettably with a lag in time. Even so, we will eventually come up with prices comparable with the worldwide level and features of programmable automated machinery that will bear comparison with the average worldwide level. In some cases they are demonstrably above-average even today.

It stands to reason that there are foreign producers who have mastered the scale of these systems better than we did. But here the time lag, in my opinion, is the least, some 3-4 years, while in other areas it is somewhat longer.

Sober Assessment

[Question] C. Pohl mentioned the NS 260 system. Can you elaborate, C. Hlubocky, on that information in comparison to customer preferences? Particularly as to time.

[Hlubocky] The verification series could reach the market in a year and a half.

[Question] Will that not be too late? And, mainly, will there be any demand for these sytems among foreign customers?

[Hlubocky] That is an objectively short term. Customer interest cannot be guaranteed, but this little system was selected after consultations with the Research Institute for Machine Tools and Machining as well as with customers, so, in my opinion, sales can be expected to be successful.

[Albrecht] Technical level per se is not the only constituent of the export compatibility of our final products; nor even is price. I have already mentioned servicing. We know that our customers abroad weigh carefully how much to invest and into what. We should meet their needs. We did not manage to establish ourselves in a position allowing us to tell them to take it or leave it. To meet those needs we might even have to use foreign systems. While that will not bring us any foreign currency for control systems, it will still enable us to at least make the mechanical part of the machinery count.

[Question] Only, we agreed that this does not represent the cream off the top from trading with foreign countries. Ergo: Can it be envisioned that we will maximize foreign-currency earnings by labor value added in the electronic part?

[Albrecht] I also kept thinking for many years that we could make headway in nonsocialist countries if we manage to come up with a new generation of control technology with features comparable to those of foreign makes. Today I can see that our best bet will probably be markets of developing countries where they are not oriented to specific systems as yet.

[Pohl] The effect from exports depends on our costs. In the case of the WNH 13B machine, as long as it is equipped with our system, let us say the NS 670 with programmable automated controls to include the metering system, 5 independent variable speed motors for feed and the requisite electrical accessories, the electrical equipment will account for 60 to 70 percent of the price. That, it must be admitted, speaks in favor of electronics, but it represents a horrendous increase in marketing price. Here the exporter must also be provided with some co-mercial margin. He knows the level of prices abroad and adjusts according to it the price limit at the time we are negotiating development of a new machine. And since we must also create the economic prerequisites for the existence of the enterprise, there can be little wonder that we do not particularly care for highly expensive electronic parts. And that further affects the level of automation. We are under pressure by Strojimport to develop less automated machinery. The reason being that the latter bear comparison not only in technical level, but also in prices of simpler competing machinery. We cannot absorb price increases caused by Czechoslovak electronics.

[Question] The world economy is stagnating, even though Western economists talk of a flash in the pan. What is of importance to us is the fact that each need in history has always produced an advance in technological progress. It will spur our competitors to speed up their efforts and it should spur us as well. So: How well are we ready to compete with whatever others will come up with before long?

[Jarabica] At the present time, a new generation of control systems is reaching the production stage and future development has been incorporated into the new state task as of 1 July 1982. It will involve modular systems with the most modern elements of the contemporary microelectronic base. They will have a wide scope of applications and for that reason the task bears the title Microelectronic Control Systems for Production Machinery. Other goals are oriented toward a new generation of lectric drives, distribution systems and electronic controls for power components of machinery. Another basic complementary element for final assembly are new types of metering systems. At the same time, preparations are going on for an overall innovative concept of machine tools and forming machines with participation by the electrotechnical industry, foreign trade, the Ministry of Metallurgy and Heavy Engineering and several other institutions.

[Question] Now, that is finally what we wanted to hear, about those several others who are not present.

[Lang] It really would not be right to leave all the worries to the sector of electrotechnical engineering alone. Considering electronics to be just some kind of appendage is a mistake. It must become an integral part of the machine from its very concept. On the other hand, electronics specialists bear a truly heavy responsibility when parts integrated into modern machinery are 5-6 years older than those used abroad. New systems in the currently progressing state task deal with parts whose technical level dates back to 1980-1981. In 1985-1986 when those systems go into production, they will be obsolescent by 3-4 years, if everything goes well. In addition to electronic parts, there are the so-called structural accessories, based on chemical and metallurgical materials. Those sectors still did not manage to grasp the significance of light-weight but high-quality materials that would even for them provide an economic substitution for huge volumes.

[Jarabica] The elaborate concept of electronics does not determine tasks only for our sector, but for others as well.

[Hlubocky] The wide scale of demands voiced by domestic customers is to be met by the modular concept of the developed systems. Of course, the ideal would be to get custommade deliveries. But the question we have to ask is: "Is it realistic? That is the basis for our conviction that the customer must be capable of creating with our help applications on the basis of modular systems. That will not do away with problems of electrotechnical engineers, but will take care of itself. No matter what, the ranks of designers will have to include specialists in electronic parts of their products. This was grasped by the CPCZ Regional Committee of Northern Moravia. It requires that all enterprises set up so-called electronic laboratories. The MMS 800 modular system will be going into production in the current year and we already have users who are following it up with their own developments, such as the Kovoscit Plant in Sezimovo Usti. I have also to point out that in Tesla Kolin we not only did not increase the number of developmental personnel, but we also lost developmental capacities in the A.S. Popov Research Institute of Communications

Technology in Elstroj and in the Research Institute for Machine Tools and Machining which also provided cooperation for our enterprise. That is a detrimental development, particularly in the long-term outlook. In this situation we cannot but limit our goals to directions which provide hope for the maximum effect for both enterprises and the national economy.

Converging of Interests

[Lang] I am also of the opinion that we will not be able to do without the help of the research and developmental base of enterprises in the sector of general engineering. We are capable of coming up within an acceptably long period with three to four variants of control systems for the most widely used machine tools, but it will be necessary that the software for machines produced in smaller series be generated in cooperation with personnel of the Machining Technology Plants concern.

[Zeleny] As coordinator of the Flexible Production Systems state task I was overseeing in the past 8 years developmental and research efforts in control technology for machine tools. Development of computerized numerical control systems was launched on about five types in 1974. To these were later added 15 others. There is one experience I drew from this: Once a produce is completed in the electrotechnical industry, we still must do all the adaptations for application. Research on the NS 730 Nuris system in 1980 was launched. Development of its functional sample is continuing now and, let us say, by 1985 we will have at our disposal several prototypes with basic software. This system will be worked out for other types of machines some time just prior to 1990. Conclusion: This cycle lasts 8 to 10 years!

[Question] Will that mean at least that use could be made of the latest components?

[Zeleny] When research is launched, it is not usually possible to procure the most modern prats, but only those that are or soon will become available. That makes it obsolescent by 3 to 4 years as compared to a situation when developmental personnel are afforded the possibility of using the most modern elements right from the start. Let me address a few words to the electrotechnical industry: I would very much like to share your optimism in regards to acceleration. However, the machine tool exposition in Hannover in 1981 and the world exposition in Chicago in September of 1982 and in Osaka in October of 1982 showed that orientation of improvements is shifting into the area of software. Systems are reverting with their hardware to all-purpose concepts. At the same time, at expositions we see only the tip of the iceberg, where a tremendous amount of effort goes into programming of memories. When you say that you will provide us with a modular system, but that we have to generate the software mostly on our own, you are just leaving the submerged part of the iceberg to us.

[Question] The gauntlet flung at the electrotechnical industry was picked up by the representative of machine tool manufacturers. But we would still like to know what Eng Albrecht thinks about the possibility of participation in the development of control systems.

[Albrecht] What was just said by Eng Zeleny is nothing but the truth. Applicable modular systems come into consideration for less demanding machinery--profile bending rolls, automatic lathes, copy milling machines. We envision coming up with our own problem-solving capacities. For instance, in the current year reinforcing of such capacities is envisioned in the Research Institute for Machine Tools and Machining in Kovosvit Sezimovo Usti and the Machine Tool Production Plants in Olomouc, Celakovice and Kurim. However, this approach cannot be applied to top-performance and highly productive numerically controlled machinery. Software of such complexity cannot be generated by the user himself.

This cannot be accomplished by just having the product developer devise the concept and turn over detailed technical specifications to the producer of electrotechnical systems. We all know that many things look good on paper and that only in actual application various conceptions must be corrected.

[Question] For several times already was voiced the demand: "We must receive help from you, the users." We know that there is a shortage of programmers. Who has the best prerequisites for eliminating it? Secondly: Do users know what electronics specialists are getting ready and vice versa? Development could possible be shortened by parallel efforts.

[Pohl] We understandably keep in touch with Tesla Kolin and the Industrial Automation Plants in Kosire. In the case of NS 260 things went relatively fast. AS regards the NS 570 or 670, we have been waiting for their development practically for 10 years and my apprehensions that the hardware part was mastered by Tesla Kolin a long time ago, but that their capacity for software was very limited, proved justified. We, the users who are expecting the NS 670 system for the WHN 13B have some misgivings that we might get the system even later than was agreed, because it will have no program. The thesis about the advantages of specialization also probably applies to software, otherwise, before you know it, every enterprise would become a producer of everything that is in short supply.

Even an automated system purchased abroad must be programmed for the given functions by the machinery producer. But still, it is hard to accept the notion that the entire electronic part be dealt with by the producer of mechanical systems.

[Jarabica] To make things clear, we are not attempting to retard the mechanical part of machine tool development. Electronics is essentially a supporting element for the mechanical concept. But our solution is to provide means of automation with a wide scope of applications. The application variants will then have to be set up by each user according to his own specific requirements.

[Question] Did we understand correctly that the concept of machinery is developed by general engineering and its VHJ [economic production units]? Is it so that you, the electrotechnical specialists, cannot cooperate in developing the concept of these machines because you do not know what type of machining will be involved? Do you require, simply put--exact contract specifications?

[Hlubocky] That is not enough. In my own experience, we were once developing exactly according to contract specifications. But the result was not the real thing. Initial specifications cannot encompass the scope of problems that will be encountered by the developer. It is best when the machine builder knows enough about electronics and the electronic specialist about machine building. For that reason, contract specifications should be developed in close cooperation and a flexible approach should be found for introduction of viable changes even in the course of development. Best of all is when the same people cooperate from start to finish.

That brings us to overlapping of stages, which means failure to adhere to the prescribed guidelines, a risk. But that is the only way to shorten deadlines. It became possible to develop new products in 3-year cycles. Nevertheless, in comparison with the worldwide standard, even those are not sufficiently short.

[Question] In this way you came up with a problem and did not propose a solution.

[Hlubocky] The risk must be taken.

[Question] And programs?

[Hlubocky] I must differentiate, on the one hand, between a systemic program which is an integral part of operation of a given type of machine, e.g., a milling cutter. And, further, a subprogram, i.e., program for a specific component. That, without any doubt, is a matter to be dealt with by the customer, his programmer.

There are areas in which our capacities are inadequate even in know-how. Then there is need for cooperation--already mentioned were the Research Institute for Machine Tools and Machining, Kovosvit; I am adding the Research Institute for Forming Machinery in Brno.

[Question] In November, newsmen were told by personnel of Tesla Roznov about their problems in cooperation with users. Do you think that machine builders have enough people capable of holding a meaningful dialogue? In numbers and in qualifications?

[Lang] I do not think that there is such a thing as an all-round programmer. Someone who used to turn out programs for, e.g., statistical computations, must first familiarize himself with the problems attendant to machining to become capable of solid programming in that area. And that takes several years. As regards technicians in the hardware area, users do not have any excess of them either, particularly if they are to work with the most modern components.

Who, What, When

[Question] We think it advisable to start discussing specific management actions for speeding up development and implementation of its results. Whose job is it?

[Albrecht] There is constant talk of time discrepancies, making up for shortfalls, etc. The P 15-124 060 state task is now winding down in its cross-sectional and conceptual phase. But there is no new systemic task. Such a task should be prepared by the sector of general engineering to prevent another shortfall from starging. New development must commence immediately while work on the preceding task still goes on. That is by no means an unusual requirement. And that, of course, should include providing of material resources, the latest components, measuring devices and developmental systems. I think that the best return on foreign currency investments is obtained when they are granted for providing for the development of viable products that hold a promise for the future.

[Question] We hate to interrupt, but we would like a more specific answer.

[Albrecht] We have fairly good idea of what should be done. First of all, it is legislature, methodologies, regulations, indicators. We do have many of them, but they are not interlinked to the point of actually forming a system of prerequisites for development, mainly to provide for timely inputs and short deadlines for completion, not just verbal calls for acceleration. I hold that this is a matter for the State Planning Commission and the FMTIR [Federal Ministry of Technical and Investment Development]. Sectorial departments are more or less intermediaries.

Prior to start of development there must be an approved price limit. Negotiations with the Federal Price Bureau sometimes drag out for a full year. The same difficulties are encountered in establishment of developmental tasks. All of them have their own, regrettably complicated, methodology which stretches deadlines even prior to the start of development. Methodologies are worked out by the FMTIR. It happened that tasks of technical development became jeopardized only because the ministry keeps records of technical development by computer and did not know how to transfer the task into the computer. But then we are confusing the purpose with the means. Everything cannot simply be squeezed into neat little columns.

It is further a matter of problem-solving capacities and their resources. Somebody must act as an arbiter deciding where the available means are to be applied. Such as: You are given certain means at your disposal and we require these outputs in return. In physical units, not in value, to prevent distortion due to price movements. But things just are not done this way as yet.

Then there is the area of social security. Motivation--housing. That too must be solved ahead of time.

[Question] We agree on this point. But it is not specifically in the area of remuneration, social recognition, housing, that something could be done by enterprises or VHJ? For instance, what could TST [Engineering Technology Plants] accomplish without waiting?

[Albrecht] The TST concern obviously has some means at its disposal, even though, specifically in Prague, it is not allocated any housing. As regards financial remuneration, it is possible to pay individual salaries. Our concern established the basic prerequisites for giving preferential financial treatment to designers. The FMPSV [Federal Ministry of Labor and Social Affairs] issued for special compensations funds a methodology that goes into the finest details which tend to cause difficulties during audits. In addition, the manager must hold on to money from the special compensations fund for key personnel.

[Question] We were not thinking of special compensations but, rather, project-completion bonuses. Besides, designers may be considered key personnel. It is hard to imagine that someone will come and say: Here is some extra housing or money for designers.

[Albrecht] Project-completion bonuses can be allocated in enterprises for the time being within the generated wage funds, but not at general management.

[Hlubocky] An enterprise has a certain amount of leeway for giving preferential treatment to developers or other personnel in whom it has interest, but it cannot exceed the planned average earnings in relation to the achieved value added. And that is a hard indicator. Go into an enterprise and see for yourself how realistic it is to push through higher wages for developers when the plant's planned wage increases for the year are, let us say, 0.2 percent.

[Question] Why should it not be realistic? If 0.2 percent is so little, that is one of the reasons that they be used specifically to provide an incentive for designers who can make it possible for the enterprise to increase its earnings to the point that the wages of all others can be increased.

[Hlubocky] Motivation through earnings is one approach. I see bigger opportunities elsewhere. Take availability of instrumentation. We lack many of them. The same goes for parts. None of them is of key importance by itself, but their sum is of key importance, beginning with a push button and ending with a graphic display unit. In the organizational sphere, the problem is constituted by the fact that means are tied to specific tasks and not to the capability of performing developmental work in general. Then, to a certain extent, it is also the question of simplified planning and tying tasks to material indicators. In other words, it is hard to put the specific economic contribution of individual tasks into figures. Look at the practical aspect of it. In my opinion, effectiveness of development has only one criterion that can be influential and that is whether there is a capacity for adequately fast innovation. The cost expended on the task

may be great, the effect in production can be small, but the task still can be highly effective for the national economy. Examples can be found in instrumentation technology, as demonstrated recently in HN by Academician Armin Delong.

Finally, take the area of social recognition. We demand from designers that products have features guaranteeing a good market, but look at what we give them by way of backup, how many times did we send them to expositions abroad. Direct contact with competing products is a necessity but we have no possibility to arrange it.

[Lang] I can confirm that the same applies also to our institute, both in regard to the possibilities of getting to see worldwide development and in regard to the elements that are indispensable even at the start of development.

[Question] We constantly have to ask how it could be arranged. Let us hear at least some proposals.

[Jarabica] The shortcomings that were described here to probably exist. But they are being dealt with. Of course, it involves scaling the same obstacles that we encountered here--foreign-currency coverage, etc. The basic measure is represented by reduction in prices of control systems by 33 percent implemented as of 1 January 1983. That means that the index of change in the wholesale price of 1983 to 1982 is 0.677. And these modifications do not even include the revaluation of parts that also applies as of 1 January 1983. It will not affect final products until 1984.

[Question] Do you think that this will change price relations to the point that machine tools with domestic systems would be capable to competing also in prices?

[Zeleny] We are grateful for the reduction in prices, but it does not solve everything. For instance, our EPROM memory costs much more than if procured from abroad. We will be continually forced to establish cooperation with foreign producers of control systems, particularly to promote exports of our machinery, with all the disadvantages this poses. But the point for us is to maintain the position of our machine tools on the world's markets with a balanced utilitarian value and price. However, without high-quality and inexpensive electronic systems it is an absurd proposition.

[Pohl] I also share this opinion. For example, in case of the WHN 13B machine the price of electric equipment amounts to 60-70 percent. If we manage to cut it down to even 50 percent, it will still be a lot if we consider that in the case of foreign numerically controlled machinery electric equipment accounts for only 25 percent of the price. It might prove to be of benefit if we were invited to participate in competitive analyses of tasks for contemplated key subcontracts so that we could take a position on prices as soon as possible. But also on product features. The customer economizes even on floor space. A similar subject of common interest is providing of servicing. Only, system producres do not provide for servicing abroad. At the present stage of competition that is an impossibility.

[Jarabica] Thirty percent is a sizable reduction. There will probably be a recurrence of cases in which the achieved price level will not bear comparison with the current world standard. But it represents the first step and we envision that these modifications will take palce at approximately 2-year intervals, which gives us a hope for catching up by 1990.

[Question] That is one concept, the concept of price development. How about some others, e.g., those defining more precisely which needs should be given preference in meeting them?

[Jarabica] Our department wants to lend all its resources to supporting the efforts in solving the tasks of technological development of machine tools and forming machines. We want to set up new state tasks that are conceptual in nature, such as we know from preparation of the Automated Control of Machine Tools task. This task will most probably be coordinated by the general engineering sector.

Further there is the concept for the means of automation. We endeavor to create and guarantee investment goals so that this sector can get all it needs, it being the sector shaping the profile of the base for improving the efficiency of machining production.

[Question] All that has been said so far was oriented toward a single point: Is there some method by which to assess the impact of individual measures and help to establish the sequence of relative importance of factors that affect marketability. Meaning, with a high level of effectiveness.

[Lauermann] Economic research is in debt to us. This effectiveness can be precisely computed and measured in the area of automated systems for management of technological processes. The precision is much smaller in assessment of higher informational systems which we would also like to encompass. The existing economic indicators do not provide the possibility for expressing this effectiveness as precisely as we should in planning documentation when we are setting up new tasks. At the same time, such computations could be of help to our partners to help them realize how effective electronics is for the national economy and what they must do for it.

[Zeleny] We also expect economic research to provide a guideline for motivation of efforts in exports. It involves determination of the optimum share of the producer in the foreing-currency contribution in order to maximize the foreign-currency revenues of the state. Today we have no documentation for determining that optimum point through quantification.

[Hlubocky] There is also the question of indirect imports. Control systems contained in exported machinery are not included in our export quota. That also cuts down on interest in subcontracts for production of control technology.

[Albrecht] There is a need for reassessment of economic viewpoints. Each technician must be at the same time an economist--and vice versa. That is the consensus of our remarks pointing out the need for cooperation as soon as possible prior to the commencement of the production stage.

[Zeleny] First of all, we must keep in contact as creative people. It is to be regretted that only too often we find an obstacle in the upward direction which we can scale only with the help of higher levels of management. Without it we cannot deal with interdepartmental problems of our sectors expediently and efficiently.

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The basic problem at stake is most probably the adaptability of our industry. Participants in the discussion were fully aware of the realistic possibilities which are more or less given--historical development of sectors, their resources, etc. It turns out that it is imperative to place requirements on electronics on the basis of a much closer cooperation than has been the case, as it will promote electronic enhancement of systems the same as there already is technological enhancement of systems. In addition, the panel discussion also touched upon the topic of why the Tesla trademark does not have the same ring to it as do many others, why a customer does not say "I want a Tesla make." One component of good reputation of a trademark can be reliability of its products, a complete software package, but also the speed with which it provides servicing, which is not made any cheaper by delaying a technician's departure by a week and, moreover, adversely affects the good reputation of the trademark. Even such details should receive consideration in dealing with the complex problems of electronization. After all, the attribute of electronics is speed.

8204
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DISCUSSION ON MEASURING ENTERPRISE WORTH CONTINUED

Prague HOSPODARSKE NOVINY in Czech 8 Apr 83 p 5

/Article by Eng Ladislav Rusmich, CSc: "Lack of Systemic Approach to Measuring the Relative Achievements of Enterprises"/

/Text/ Working out a solution to the problems attendant to the concept of merit constitutes the most pressing task of economic theory. Any fundamental article dealing with this topic must be viewed as a welcome addition. This applies also to the contribution "The Goal Is Known--A Search Is On for Criteria" (HN No 11/1983) by Docent Vladimir Kyzlinek, CSc.

From the viewpoint of the complexity of the given problems, primarily deserving of appreciation is the author's requirement for all future modifications of the system of collective and individual encouragement through tangible incentives to be based on a clearly defined goal-oriented solution. "Otherwise they will not be systemic and attainment of the ultimate goal cannot but be postponed," writes the author. He himself is trying to apply a systemic approach. He introduces his proposals into a direct linkage with planned development of socialist commodity and fiscal relations, particularly with the basic category of these relations--value (which he correctly perceives in its objective unity with international value) and price as its empirical form; he also comments on planning and some other elements of the economic mechanism.

It stands to reason that working out of a goal-oriented system can be conceived of only in the form of a sort of model in which the elements worked out in closest detail would be those internal and external systemic links that would form "elements of a new mechanism," i.e., differing from the mechanism operational at the present. Without such critical expression of changes in the existing mechanism in the form of a certain integrated viable concept or model that forms an internally interfaced "functioning" system, there is the same danger of pragmatism that attends preparation of practical measures without clarification of the goal-oriented solution. Not everything that is goal-oriented is systemic and vice versa.

A significant feature of pragmatism in economics which has recently become the subject of basic criticism is promotion of various local and sectorial approaches and interests as societal. Creation of illusions in regard to the functional viability of one or another instrument of management deemed to be of advantage to a sector and hiding of contradictions that are objectively contained in it can be cited as an example. The intent of a model approach is to apply a unifying theoretical concept and thus help social practice avoid some later mistakes and errors in management. Without such an approach, it is utterly impossible to assess the theoretical correctness of any proposal for modifying the instruments and methods of management.

It is naturally impossible to describe any goal-oriented model in a brief article. However, some form of it must necessarily form the basis for formulation of any proposal and its logic must be adhered to. This the cited article regrettably did not quite manage to accomplish. While it contains a number of thought-provoking suggestions, it is not without its own systemic contradictions.

According to the author, "the only criterion which assesses the relative accomplishment or organizations in meeting the tasks in improving efficiency and quality must be their carrying out of the plan." What kind of plan should it involve? The author says that it should not be a plan worked out on the basis of an individual approach to assigning planned tasks to individual organizations which never disclose their real potential and always attempt to influence the planning organ in accordance with their own interests. The number of obligatorily prescribed indicators of such a plan should be considerably reduced. The basic indicator should be profit.

To a reader not familiar with the systemic relationship of the proposed change occur questions such as: Is carrying out the plan really the only possible criterion for assessment of relative merit? Could there ever be a specifically targeted plan that would not be determined on an individual basis? Is net profit a better indicator for the plan than, let us say, value added? Can plan indicators ever play the role of criteria of economic effectiveness? Answers to these questions can be positive or negative, but they must be based on principles and systemic unity, i.e., mutually interdependent and providing mutual justification if misgivings and contradictions in the proposed topics are to be eliminated.

The author deems the price determined "on the basis of developments on the world market" to be the basic objective criterion for the activities of economic organizations. This thesis can be found in the Set of Measures in a more specific form as a task. However, price-setting in practice still fails to react to it in the appropriate manner. Why? In my opinion the reasons are systemic in the widest sense of the word. The limitations can be put in the form of questions: Is this thesis to apply to all production in general, which potentially can become an object of external exchange, or only to that which is exported and imported? What role is to be played by the foreign-exchange rate and the relevant instruments? Who will be responsible and how in differentiation of the rate of profit in prices for efficient management of khozraschet /cost accounting system/ units? What provisions will be made

for providing return on investment for economically ineffective but socially indispensable types of production? What will be some additional criteria for delineating the socially acceptable efficiency level in the behavior of khozraschet units, particularly the position of the customer in the economy and that of the consumer in society?

Each of these problems generates, even on a model level, additional problems. All of them must not only be formulated, but they must also be answered. Otherwise any proposals regarding prices have a hollow ring and they can be categorically rejected with relative ease, particularly from the viewpoint of their potential for implementation, tangible consequences and some relationships that failed to be understood as to their comprehensive nature. In the area of prices, characterized by the width and complexity of interlinkage, each simplification harbors in itself the danger of illusions underestimating the societal potential for conflict and complexity of changes. Care must be taken in every discussion to get away from this problem.

For example, the proposed transition to a system of so-called criterial levies means in its consequences merely a substitution of production costs as a basis for calculation of prices by a new category of societal costs. The extent of such a systemic change is so great that it, e.g., spells a total restructuring of all quantitative value proportions in the national economy, starting with price relations and ending with the structure of sources for financing investments as well as operation of khozraschet units.

Another example is wage control. The residual nature of profit in prices means that profitability of products, sectors and productions will be differentiated: it can even be negative. That would have as its prerequisite introduction of basic wages guaranteed by the state and at the same time would eliminate any manner of deriving the demand of the khozraschet unit on the volume of wages payable on the basis of any indicator of production volume. For that reason, the author's proposal for modifying the standard for generation of wage funds by a rate related to profitability cannot have the nature of a goal-oriented solution. The same applies to his proposal for improving the system of incentives for earning foreign currency and several others.

If these proposals were to be regarded as temporary measures designed to facilitate transition from the status quo to a prospective arrangement, it is much too early for them. They lack a targeted orientation, because other proposals representing goal-oriented solutions do not reflect for the time being an internally consistent system fully subordinated to the goal-oriented function of efficiency and generating a strong interest in participants in the economic renewal process in innovative behavior and scientific and technical development, as dictated by the objectives for transition from the extensive to the intensive form of economic development.

Editor's Note: The author of this article held posts in various central economic organizations and in the Czechoslovak State Bank. He is currently employed in the Research Institute for the Fiscal and Credit System where he deals primarily with financial and monetary aspects of the economic mechanism.

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'PRAVDA' INITIATES, INVITES DISCUSSION OF CONSUMER-SUPPLY PROBLEMS

Bratislava PRAVDA in Slovak 8 Mar 83 p 3

/PRAVDA interview with the SSR chief arbiter Milan Simovic, by editor Viera Sladeckova: "The Development of Supplier-Consumer Relations"; date and place not given; portions within slantlines in boldface/

/Text/ Last June the Presidium of the CPSL Central Committee and the SSR Government passed a decree and accepted measures for solving drawbacks and removing subjective reasons for failures in fulfilling tasks in the field of supplier-consumer relations. Those to implement the solutions are all-level executives of the economic management sphere. Approximately once a month PRAVDA will deal with these problems to let its readers see how the decree and measures passed by the government and the CPSL Central Committee Presidium were implemented in practice. To begin with, we are publishing an interview by our editor Viera Sladeckova with the chief arbiter of the SSR, the lecturer JUDr Milan Simovic, CSc, on how supplier-consumer relations have been developing after the mentioned decree was passed, from the point of view and findings of arbitration authorities.

/Question/ How would you characterize briefly the development of supplier-consumer and contractual relations on the basis of solving arbitration suits in the second half of 1982 in comparison with that in the second half of 1981?

/Answer/ It is evident from the findings gained by arbitration that there was no substantial improvement either in the level of organizing and managing of supplier-consumer relations (SCR), or in that of their establishment and implementation. Those levels have not even reached a degree worthy of the attention of the presidial party and government authorities, being inadequate to existing possibilities and assumptions.

There are great difficulties in establishing SCR, especially in the field of material-technical supply and in the investment building industry. /However, there are signs indicating that controversies and litigations do not always result from a genuine lack of sources. Most often they are caused by deficiencies in the structure and assortment of materials resulting from the

unwillingness of suppliers to adjust the composition of their production to the needs of consumers. Nonetheless, the origin of these controversies is also caused by consumers by their insufficient followup of the long-term development of resources. Consequently, they do not establish timely rationalization and technical-organizational measures for reducing the consumption of materials, or for their replacement by other kinds which may be available and fit for production consumption./

The experience obtained by discussing arbitration litigations allows us to state the following: a systematic repetition of the same controversies indicates that involved here are both /subjective causes in the practices of enterprises, and setbacks in the guiding and organizational activities/ of the economic management executives. This fact is also confirmed by the growth of litigations on the agenda of the executives of economic arbitration in the SSR. While in 1981 there were 28,000 applications for arbitration, in 1982 their number amounted to over 35,000, which is a 20 percent growth. To be more specific, in the second half of 1982, while settling arbitration disputes we came across controversies in concluding supply contracts for ensuring the economic tasks of 1983. Basically, the reasons for controversies can be classed in two categories. In the first, there are cases in which the SCR were duely discussed by both organizations, controversies were suppressed by superior authorities and contracts for preparing supplies were concluded. Even so, in many cases the consumer organizations did not have ensured the supplies to be consumed in their production. This circumstance was also reflected in a relatively high number of disputes of this kind in 1982 (4,500). The second category consists of cases in which the controversies in discussing the SCR were not removed by superior authorities. Due to this, the consumer organizations could not enforce the conclusion of contracts for supplies preparation, and as for the supply contracts, their conclusion could be claimed only on the basis of the long-term SCR. However, in these instances the supply organizations often defended themselves by objecting that their planning, production and supply conditions had been changed, and that by accepting further pledges the fulfilling of other tasks would be endangered.

/Question/ In the mentioned time range (including also the first months of this year), to what extent did there occur infringement of state discipline in arbitration disputes by not observing and not respecting the pertinent paragraphs of Notification No 48, covering material balancing and discussing the SCR in the planning process?

/Answer/ From the aspect of legal safeguarding of the plan tasks for 1983, there were occurrences in precontractual disputes in the last quarter of last year, but also in the first quarter of this year; mainly for the reason that organizations did not conclude discussion on the SCR. They were waiting for balance specifications. However, as a positive example I can mention, e.g., the policy of the Sigma municipal enterprise in Zavadka on Hron. The Sigma people began discussing the SCR for the 1983 supplies in good time, while in their SCR records (unless they were controversial) there were confirmations of involved parties of the fulfillment deadlines for individual months. The controversies originating from the SCR discussions were duly presented to the managing authorities for final solution. The SCR discussed without controversies served as a basis for allotment of supply limits to individual consumers.

The reasons for the origin of precontractual disputes may be generalized as being the setbacks in establishing future SCR bases, and those in managing activities. Both of these reasons are unambiguously subjective. They arise mainly due to the fact that organizations do not discuss the SCR for products on which, according to Notification No 48/1980, Paragraph 4, of the Zbirka, a mandatory discussion is to be conducted. Thus the organization themselves do not ensure a legal basis for the conclusion of a supply preparation contract.

When evaluating the cooperation of organizations, I would like to point out the experiences of arbitration executives from precontractual controversies. Mostly involved are repetitive long-term relations between the same suppliers and consumers. Consequently, the level of the SCR between them depends on their mutual cooperation aimed at generating conditions for long-term supplies. In this aspect, I see the greatest reserves in insufficient adherence to Notification No 48/1980 of the Zbirka (Paragraph 5), which assigns to the supplier /a duty to inform/ consumers about his intentions involving the development of production programs, about changes in supplying capacity; when needed, to consult such points with his principal consumers. /An example: when a new coking plant was being built in the Kosice VSZ /East Slovakia Iron Works/, the principal consujmers of this organization were not notified in good time that there would be available a new assortment--peak coke--which would partly replace the type of coke used up to that time. In their turn, the superior presidial authorities did not discuss in good time the applicability of pea coke for the internal market or for other consumers. In the resulting situation the BSZ supplier in Kosice was unable to meet the needs of consumers in the desired assortment of coke and, on the other hand, there was a surplus in the pea coke assortment. Such inconsistency also occurs in reverse cases, when it is known in advance that a production capacity will not be completed within a planned deadline (due to slides), however, in spite of this fact, products from this capacity are counted on in balances and their specifications. Another setback: in many cases neither suppliers nor their superior authorities discussed modification of the SCR and of supply preparation contracts immediately after the plan had been specified, and their objection about the failure of material safeguarding of production was raised too late, when the supply contracts were being concluded./

In legal regulations, there is a ban on limiting the production or letting products out of the program without the approval of the consumer and the superior authority. Adherence to the legal process when limiting production gains in significance especially nowadays when some production programs are being subdued due to switching to a more perspective production, or to other, usually export, tasks. As an example, I can mention a dispute between Vagonka in Poprad and Vihorlat in Snina. Supply of 92 cranes is involved here. Vagonka needs these cranes to complete its supply of repumping stations to the pipeline construction in the USSR. The economic management authorities did not, in the framework of the planning process, solve in due time how to ensure those supplies to the export investment units. Nor was it possible in an arbitration suit to solve the dispute in its entirety for the benefit of export tasks. Both of these organizations, though, belong to the same department of the FDderal Ministry of Metallurgy and Heavy Engineering, which is now speeding to solve the problem, prompted by the chief arbiter of the SSR.

Legal regulations contain firmly anchored unambiguous proceedings determining the implementation of supplies. However, supplies are being implemented around them, e.g., by means of directive instructions of the economic superior authorities. At the same time, a decision has to be made about what to do with congractual pledges which have been broken in such a way.

/Question/ From your experience, what part of the mentioned notification is most frequently ignored in real life, disclosing a low level of partners' discipline in the SCR, their formal, administratively bureaucratic approach and their failure to respect the interests and needs of the whole society?

/Answer/ From the viewpoint of economic arbitration executives, not adhered to are mostly those regulations of the 48/1980 Sbirka notification which modify the proceeding in establishing the SCR, especially regulations of the first part (paragraphs 4-9), but also others (e.g., Paragraph 18 on sliding supplies, Paragraph 47 on planning acts, etc.). There are also cases when the minutes of meetings discussing the SCR are formal, not giving a true picture of the situation in reality. Which means that the organizations' discussion of the SCR are without controversies on the outside, but phony in reality. More often than not, a negative role is also played by intermediaries trying to alleviate their duties.

In organizations there persists /an insufficient knowledge/ of legal and other rules connected with the modification of plans, establishment of the SCR, their discussion and transformation into contractual relations. Many consumers do not exact their claims in time and with consistency, due either to their ignorance or their /overcautious/ attitude toward the supplier. /Thus it is partly themselves who are guilty of letting setbacks persist in establishing the SCR. The authorities of economic management take part in these setbacks as well, namely by insufficiently managing and checking of the activities of organizations under their control, by not solving consistently and in time concrete controversies or well-known actual problems which are presented./

/Question/ Since 1 January 1983, the amended Economic Code has been in operation. What do you think is its most marked contribution to an improvement of the further development of contractual relations between economic organizations? That is to say, naturally, assuming that responsible economic executives will duly respect the code.

/Answer/ The contribution of the Economic Code amendment can be expected in many aspects. /First of all, it gives rise to legal qualifications for longer-term contractual relations in the field of supply and marketing./ Supply preparation contracts are supposed to play a more pronounced role, and organizations are to have broader possibilities for their legal enforcement. This should lead also to a rationalization of activities connected with the transformation of planning relations into contractual ones, and into establishing the SCR.

One of the principles of the set of measures is also to conclude at least several years' contracts for supply preparations, which strengthens the stability of the SCR. /The fact that in many cases the supplier-consumer

relations were discussed as far in advance as for 1984 and 1985 enables concluding and enforcing the supply preparation contracts for the remaining years of the Seventh 5-Year Plan. This is in line with the task assigned by the SSR Government to the economic departments authorities by Decree No 202/1982, that is the task of putting through conclusion of supply preparation contracts for the period up to the end of the 5-year plan./

The Economic Code amendment has introduced a qualitatively new conception into the way of concluding supply preparation contracts by generally also enabling economic management authorities to conclude such contracts. This has opened a possibility, especially for intermediary management authorities, to exert more active influence on establishing supplier-consumer and contractual relations in their own fields.

A contribution from the aspect of socialist moral principles is /the regulation according to which organizations are not allowed to misuse their economic status for gaining unjustified advantages, or to act in other ways against the interests of the society. Especially, they must not enforce inadequate conditions when concluding economic contracts, such as qualifying them by taking a pledge which is irrelevant to the required fulfillment of duties, or which belongs to the supplier's own economic activity./ Since the Economic Code amendment has become effective, that is, since 1 January 1983, there is the possibility for a consumer not only to claim the repeal of an unlawful condition, but also to make his supplier assume the risk of a considerable economic fine from the corresponding arbitration executive, had he acted antisocially. /More pronounced contributions are expected also from those amendment regulations which are aimed specifically at the inevitable strengthening of discipline in the SCR./

It is expected, for example, that under the influence of the present Economic Code there will disappear such undesirable practice which often used to represent the attitude of suppliers in accepting orders just for "records," and many a time leaving their consumer in incertitude whether his material supply would be ensured. Members of economic management should notice that the amendment of the code enables arbitration executives to impose an economic fine on an organization which keeps implementing supplies without conclusion of an economic contract in due time. Another specific modification for strengthening economic discipline involves the delivery of penalties to the state budget. Its aim is to remove the current practice of some enterprises often to skip a penalty without justification, on the basis of so-called "good relations." At present, if it does not enforce a penalty, there is a risk for the consumer not only of failing to get it altogether, but, in addition, of having to deliver punitive damages to the state budget. A special part of the amendment covers the so-called slide supplies of products, etc.

/A quite new and particular measure aimed at strengthening economic discipline, concerning both the society and the contractual partners, is the establishment of economic fines. They can be imposed not only on organizations (syndicate enterprises, too), but also on general boards of management for their acts against the interests of the society./ These fines are strictly defined and specified in the Economic Code.

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/To our readers:/ We welcome you to write us about your own experience with solving problems in supplier-consumer relations, especially about ways of removing subjective reasons for their setbacks. We will be happy to publish your contributions, and in the most significant instances we will organize the PRAVDA brigades cooperating with the corresponding party and arbitration authorities.

9910
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MORE CAREFUL CADRE SELECTION EMPHASIZED IN EDITORIAL

Prague RUDE PRAVO in Czech 26 Mar 83 p 1

[Editorial: "The Responsibility of Managers"]

[Text] In implementation of the program put forth by the society, an important task and a great deal of responsibility is laid on managers at all levels, or--to use a current colloquialism--on cadres. These are not only people entrusted with high party, state or social functions, their range is very wide. For example in the national economy the roster of cadres begins with foremen and shop supervisors, continuing all the way up to ministers.

The preparation and selection of cadres is of utmost importance. A manager has to possess capabilities and knowledge corresponding to the function entrusted to him. He or she has to be devoted to the cause of socialism, being in all aspects a model to those whom he manages. For instance, how could a foreman manage correctly if he did not know more than his workers, if he did not have the knowledge of the significance and social mission of implementing the assigned tasks, or if he did not have other qualities prerequisite for his team to respect him as an authority and support in their work. The higher the function, the greater the demands put on a manager.

As is conceivable and logical, it is not enough to meet demands only at the time of being entrusted with a leading function, but to keep proving persistently on the job that the training received and selection were right. Although the training and selection of cadres should be conducted by specialists, or even by entire personnel and cadre units, not always and everywhere the selected person proves right for the entrusted function. Someone quite simply may run out of strength, or is passed a burden heavier than he or she can carry. Other times it is an illness or another unpredictable reason which weakens a person. Consequently, a man like that himself cannot be satisfied with the quality of his work, although he would not admit it to anybody. For some time it is possible to help him overcome the crisis, but an equally good help may be to switch him to a different, less exacting position.

It is possible to err in cadre selection, too. This is not so surprising, when one realizes that people sometimes give the impression of being better, more capable individuals than they are in stark reality. Also errors like these have to be rectified without delay in the interest of society. However, it may also happen that the selection has been right, but in the course

of time the manager in question falls into rut, judging things--and consequently making decisions, too--from the point of view of enterprise, departmental or other interests, but not those of the entire society. What ensues are considerable damages in the national economy, problems pile up, a gap emerges between reality and well-thought-out plans and intentions.

Many a time people deciding about cadre matters ask themselves the question: to recall or transfer such a person would not be difficult, but won't it cast a shadow on the reputation of the enterprise, organization or company? On the other hand, people who have become aware that the mentioned person does not sit in the right chair, say: how is this possible, who let him stay there and why? The training, selection of people, and the follow-up review of their performance are important and very sensitive matters, to be sure. One could state that in matters like these even the popular saying "look twice before you leap" is not challenging enough. On the other hand, however, it is not possible just to look ad infinitum.

The circumstances referred to are certainly extreme. No doubt it is desirable to avoid them--let us use a medical term: to take preventive measures. In the latter case it is not necessary to wait for a comprehensive evaluation which is carried out once every few years. After all, the best way people prove themselves is by fulfilling the given tasks in their everyday work. This is a sufficiently clear mirror of their capabilities and knowledge, of their attitude towards the goals of the society. It is always better to repair small errors and defects than solve big ones later, naturally also with serious consequences. Unfortunately, the latter occurs sometimes, too. Beating around the bush for too long brings trouble to more people than the one involved.

It is right to say that a person who manages, also controls. This expresses the responsibility for actions to achieve the goals of managing, to implement decisions promptly and correctly. However, even managers are managed by someone who should also check up on them. This checking-up is supposed to be done not only from a too narrow point of view--how they execute orders or other decisions--but how they prove themselves in their functions, whether they meet the demands connected with these functions, and whether they are models to their subordinates also in other aspects. An entrusted function is not only a working pledge, but also a moral one, and a duty, too, connected with a certain authority of precisely defined limits. It takes a strong character to know these limits and not to exceed them.

Even such a strength of character may sometimes diminish: all of a sudden, somebody might feel like Napoleon who can afford everything, forgetting what was the end of that famous emperor. Another person may be adversely influenced by his or her closest surroundings or milieu. It was said a long time ago that in this country nobody's trees were going to grow all the way up to the sky, and to this day the saying has lost none of its validity.

The socialist system subscribes to the lofty principle of man's continuing education and of the continuous cultivation of the socialist way of life. The participants in this education are social organizations, the school, the

family. Even with such a broad range of action--since educational questions belong also to other institutions and organizations—the results may be generally good, but on closer examination their scale is from excellent to unsatisfactory. Is it the fault of the educational system? To be sure, everything can be improved gradually, and it is getting improved, too, but it is also evident that the entire society cannot be blamed for bad behavior of an individual. After all, everybody has found out in his young years that if he is not willing to learn the school will not pour the knowledge into his head through a funnel.

When criticizing defects, some people would rather--as the saying goes--throw the baby out with the bathwater. Or they go into another extreme, preferring to criticize only when nobody can find out that they were the authors of the criticism. They say: how come that nobody can see this? What are managers for when they put up with it? They do not have to know it all the time. Surely criticism is not conducted only from above in this country, there is bound to be criticism also from below. However, it takes courage to practice it, and consider it a token of responsibility towards the society, a share in implementing common goals. Every psysicist will gladly confirm that lightning select objects to strike according to their height. That is why lightning rods are furnished with a proper ground which conducts an electric discharge into safe ground. Many a manager likes to declare himself to be a lightning rod. However, this law of physics does not hold in the society. A good manager does not have to be afraid of anything. But nearsighted is the one who ensures protection against the consequences of his defects by grounding in the form of various acquaintances and by obliging people for unjustified favors which he was not entitled to grant them. Though it could look as a reliable protection for a while, it will not prevent social criticism with quite specific consequences. This is a social law, and its existence is a good thing. This law is an expression of the society's strength, and this is the only way to comprehend and accept it.

An absolute majority of our citizens, both plain working people and managers, prove their relations to the society, its tasks and goals, by their everyday activities. It cannot be overlooked, though, that even with such a substantial majority not all people act that way. The behavior and conduct of some of them contrast markedly with the way of life corresponding to members of a socialist society. When it is managers who conduct themselves in such a manner, the mentioned discrepancy is more conspicuous, stirring up stronger criticism in honest working people. The stricter it is necessary to measure such defects and wrongdoings, and duly "reward" them. This also belongs to the job dealing with cadres, and not only to it.

There is a saying that order makes friends. That holds all the more for the life of the society, and for the national economy, although there should be even more at stake here. It is necessary to realize that negative phenomena weaken the fulfilling of the conclusions of the 16th party congress, namely the planned development of society. Therefore it is up to managers in any position to strengthen order and discipline, to require them, and to be models in that sense themselves. Their behavior and conduct should be in complete harmony with the moral and political profile of socialist man.

9910
CSO: 2400/237

RECENT FOREIGN TRADE RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 15 Apr 83 p 2

[Article by Josef Major, employee of CPCZ Central Committee: "Foreign Trade"]

[Text] Implementation of the tasks of economic and social development of the CSSR in the years 1981-1985, adopted by the 16th CPCZ Congress, is progressing under more complex conditions than it did in previous 5-year plans. Complications occurred in some internal, but particularly in external relations.

Economic development in nonsocialist countries as a whole was characterized in 1981 by a reduced rate of growth; an absolute drop occurred in the past year. This fact became reflected in the development of world exports which in 1981 and 1982 showed a similar trend.

The more complex conditions of the world's economy have been adversely affecting for several years the development of world trade and are reflected also in CSSR's foreign trade, particularly with nonsocialist countries. However, there is no overlooking the fact that in addition to some largely objective causes, such as stagnation in capital investments, development of some sectors and reduced demand for consumer goods, in our relations with many nonsocialist countries we must keep scaling obstacles of artificial discrimination designed to prevent our goods from being sold on those markets. The approach of some capitalist countries clearly shows that their attitude to our foreign trade is increasingly determined by political considerations, an effort to weaken the economy and the international political position of the socialist community.

Despite these unfavorable conditions the Czechoslovak economy achieved in 1982 good results. It proved to be possible to meet the basic goals of the state plan, even though we had to make do with reduced sources of fuels and of some raw materials as well as make up for the consequences of lower crops in 1981. Of importance from the viewpoint of foreign trade is the fact that we managed to maintain the balance of Czechoslovak external economic relations, achieve a significant lead in the rate of exports over imports and improve the balance of payments with nonsocialist countries beyond the expectations of the state plan. However, of importance to an objective assessment of the results of foreign trade in 1982 is knowing at what expense they were achieved, who shared in them

in the sense of their improvement and where, on the other hand, we failed to react more flexibly and in the appropriate manner to the more complex external and internal conditions. All managerial personnel and workteams in production plants as well as in foreign trade must adopt a more comprehensive approach to assessment of results, i.e., determine how well they are doing in implementing the basic goals of development in the entire Seventh 5-Year Plan and not just in a single year.

The state plan for 1982 places on foreign trade challenging demands, even though the planned rates of development are lower than they were in the preceding period. Nevertheless, the total turnover in Czechoslovak foreign trade showed an actually dynamic progress and the increment achieved in comparison to the results of the preceding year amounted to more than 9 percent.

A key role in achieving the positive results of last year was played by comprehensive economic and trade cooperation with socialist countries and with our most reliable trading partner--the Soviet Union. The volume of mutual exchange of goods with countries of the socialist community increased by more than 14 percent and with the Soviet Union by 18 percent. For the sake of improved clarity it should be added that the turnover in foreign trade between the CSSR and the USSR in 1982 approached the value of 10 billion in convertible rubles. However, the significance of the high rate of growth in our foreign trade with the USSR did not lie merely by its extent. What counts is that we managed to meet our key export obligations, exceeding them in many cases, and, on the other hand, secure imports of crude oil, natural gas, nonferrous metals, cotton, machinery and installations as well as other items.

The center of attention in Czecho-Soviet economic relations was and is formed by problems of mutual trade and economic cooperation in the remaining years of the Seventh 5-Year Plan as well as for the period beyond 1985. Our participation in key economic projects of the Soviet Union, such as, e.g., the food program, will substantially affect the volume and structure of mutual exchange of goods. Of considerable political and economic importance is the agreement regarding supply of Soviet natural gas to countries of Western Europe. Our share in implementation of this project will not be negligible.

Even though adverse trends on the world economy did have a slight impact on the economies of other socialist countries, the mutual development of foreign trade in the past year can be characterized as successful. In comparison to 1981, mutual exchange of goods with the GDR increased by 4 percent, with Hungary by 11 percent, with Rumania by 13 percent, with Bulgaria by 10 percent, with Poland by 4 percent, with Yugoslavia by approximately 16 percent and with Cuba by more than 40 percent. That does not mean, however, that foreign trade with fraternal countries was always progressing without any problems, that we and our partners from socialist countries always managed to meet the negotiated obligations in time and in the requisite structure. Our production plants and foreign trade organizations are constantly finding out more about the demanding nature of the socialist markets.

All key sectors and foreign trade organizations managed to meet the tasks of export to socialist countries, sometimes even exceeding them. The highest absolute exceeding in prices quoted as all charges paid was shown by Strojimport, Strojexport, Kovo, and, among other than machinery-oriented foreign trade organizations, by Chemapol, Centrotex and Exico. However, these good results should not be overrated, particularly in cases where the exported merchandise was slated for another sphere of use.

In assessing the achievement of foreign trade turnover it should be pointed out that despite all efforts foreign trade is not succeeding in meeting the overall goals and some plan indicators in relation to nonsocialist countries. Much has already been written and said about the causes of this development; nevertheless, specific short-term as well as strategic planning measures which we will manage to implement are and will continue to be of crucial importance. In this regard we made some progress in 1982 in the area of import policy, marketing, creating stronger incentives tied to foreign trade earnings performance.

As regards an overall assessment of the year 1982, we failed to meet the goals of the state plan, even though we mounted a strong effort to meet export quotas. As a matter of fact, our foreign trade with some nonsocialist countries even showed a decrease in comparison with the preceding period; the overall index of exports to nonsocialist countries (1982/1981) amounted to 98.6. This development was inevitably reflected in the possibilities for imports from those countries--the volume of which last year also dropped below its 1981 level.

The development of and the results obtained in Czechoslovak foreign trade in the years 1981 through 1982 point out the necessity for finding a solution to some problems in the sphere of production and foreign trade. It calls for a concerted effort, without regard to sectoral or enterprise affiliation, toward providing suitable export assets, not underestimating in this regard smaller producers and looking for export opportunities also in those enterprises that have not become exporters as yet. There is no task more pressing for foreign trade organizations than acquisition of orders for marketing competitive merchandise and selling it as effectively as possible. We must continue to establish contacts with new partners and endeavor to bring our goods even to those markets that we abandoned in the past.

The lessons learned and findings made in implemention of the tasks for 1982 must also be fully applied to the current year. Its initial months namely already point to some problems in supply-demand relations as well as in marketing efforts which become manifested in a shortage of orders, low and imbalanced meeting of quotas for export into nonsocialist countries and slowly progressing innovation of products.

8204
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CURRENCY IN CIRCULATION, MONETARY STABILITY DISCUSSED

Bratislava PRAVDA in Slovak 22 Mar 83 p 4

[Article by Prof Pavel Rapos, ScD, lecturer of the CPSL Central Committee: "Laws of Currency in Circulation and Problems of Monetary Stability"]

[Text] The economic theory of Marxism-Leninism contains concepts of general laws governing the circulation of currency, laws which are present and valid wherever goods and currency circulate; they fully apply also in socialist society. Thorough knowledge of the effect of the laws governing currency in circulation and continuous consolidation of monetary stability are imperative for a planned socialist economy in order to maintain the ratio of goods and currency in circulation as an essential factor in maintaining a balanced national economy, consolidating the purchasing power of the currency and satisfying the growing needs of the population.

In his "Capital," Karl Marx defined the general laws of currency in circulation as a law of the amount of money necessary in circulation; his law is objectively valid regardless of specific types of monetary systems. Its simplest expression is: such amounts of money must circulate as needed for sale of goods expressed in prices. If goods worth 10 million monetary units must be sold, then 10 million monetary units must be in circulation to purchase those goods. However, because circulation of currency is a continuous process, the same monetary units may be used repeatedly in selling and buying. Let us say that money turns over 10 times in a year; thus, it is sufficient to have in circulation 1 million units in currency to buy goods worth 10 million. The amount of money needed in circulation is also determined by the amount of goods sold on credit and the amount of loans being repaid.

With a given amount of goods, the amount of money depends on the sum total of their prices. When prices go up, the amount of money in circulation increases, and when prices go down, it decreases. The situation is the same as concerns the rate at which money circulates and which depends on several factors. Karl Marx emphasized that "...the turnover rate of the same currency in a given period of time is the measure of the speed at which money circulates..." (Karl Marx "Capital" vol 1 p 129), and the speed at which currency circulates also reflects its specific factors and conditions.

While hard currency in gold at full value was in circulation, the amount of money in circulation was arbitrarily controlled, money represented wealth and served as a kind of reserve of currency in circulation and as "... channels bringing in and taking out the currency in circulation; thus the channels of circulation never overflowed." (Ibid, p 143)

However, the circulation of gold money was replaced long ago by circulation of paper money. Karl Marx precisely defined the new laws of currency in circulation which thus developed: If paper money..."actually circulates instead of an equivalent in gold, its movement follows only laws governing the circulation of currency alone. A specific law governing the circulation of paper money may evolve only from its relation to the gold which paper money represents. That law simply states that expenditures of paper money must be limited to the amount of gold (silver) which paper money symbolizes and which would actually have to circulate" (Ibid p 137). While with gold (silver) currency in circulation the amount of the currency in circulation was arbitrarily controlled and on principle, no overflow of the channels of circulation was possible, such an objective possibility emerges in circulation of paper money. Of course, the danger of imbalance is not important in minor fluctuations which are natural. However, Marx stressed the fact that here the rate begins to disappear and the danger of "general discredit" emerges, as we can see at present in the great inflation in capitalist countries.

Laws in Socialism

Like all other economic laws, the laws governing circulation of currency in socialist society are rationally applied. Here an objective opportunity is on hand for thorough study of the laws of currency circulation in terms of their effect generated under the conditions of a socialist economy and their subordination to the aspirations and needs of the development of socialist society.

In a narrow and immediate link with other economic laws of socialism, the laws of currency circulation form a certain subsystem in the overall system of economic laws of socialism; they interact with the actual effect of other laws. Balancing the proportions of currency circulation is a precondition for efficient functioning of the law of distribution according to the amount and quality of work performed, the function of the stimuli of economic incentives, the growth of actual earnings of the population and so on. This is natural because with unbalanced circulation of currency the effect of economic incentives, the growth of real income, etc. is nullified. On the other hand, other economic laws influence the effect of the laws governing the circulation of currency and substantially affect monetary stability. If, for example, principles of distribution according to one's performance are violated and unearned wages are paid, the balance of circulation of currency is directly affected. And finally, current experience from the crisis in the Polish People's Republic may serve as a graphic example. Nobody has directly attacked the balance of circulation of currency, yet the unsubstantiated demands for wages and the declining productivity considerably upset the balance of circulation of currency.

Thorough study of the effect exerted by the laws which govern circulation of currency in a socialist economy started at the very moment when a socialist economy was established; however, the USSR and other socialist countries began in 1956-1957 extensive discussions of problems concerning the effect of the laws which govern circulation of currency, their effect in conditions of a socialist economy, and practical application of Marx' formula and the law on circulation of currency in planning operations. The above-mentioned discussions, which considerably helped in theoretical specifications of problems affecting the circulation of currency, continue as an essential precondition for thorough knowledge of the laws on circulation of currency and for the achievement of monetary stability.

Circulation of currency follows various channels of monetary movement, each of them demonstrating its own pecularitarities and idiosyncrasies which must be recognized. Such a differentiated approach makes it possible to determine in greater detail the amount of currency in circulation and to apply the laws on circulation of currency in a planned socialist economy. It is obvious that the amount of currency in circulation is reduced if, for example, workers and employees receive their wages on a semimonthly basis rather than once a month and moreover, if various enterprises and institutes set their paydays continuously for different calendar days. Likewise, if members of a collective farm receive specific regular monthly cash rewards instead of lump sums paid at the end of the year, this also leads to irregular circulation of currency and cuts down the amount of currency in circulation.

Potential Expressions of the Law

In a socialist economy, the balance of financial earnings and expenditures of the population helps determine the specific amount of currency in circulation; a balance of financial earnings and expenditures of the population is an essential precondition for purposeful application of the laws on circulation of currency. A necessary amount of money (Mn) must be put into circulation so that the population may buy goods and pay for services and other fees; however, this amount is reduced in relation to the rate at which currency circulates.

Proceeding from the long experience in the application of laws governing circulation of currency in a planned socialist economy (if we also consider the extraordinary consequences of war), we may formulate in general three possible expressions of the laws on circulation of currency.

1. The actual amount of currency in circulation (Ms) equals the amount of money absolutely necessary for circulation (Mn). If we consider that a socialist economy is dynamic, all variables are in motion; this situation may be sustained if the increments of the actual amount of currency in circulation (dMs) is equal to the growing amount of currency required for circulation (dMn). In that case, financial earnings and other incomes of the population are equal in their sum total and balanced with total expenditures of the population.

2. The actual amount of currency in circulation increases faster than the amount of currency required for circulation ($dMs > dMr$). In that case, an imbalance of financial earnings and expenditures of the population occurs. Some of the money in circulation cannot be exchanged for goods, so there is excess of money. With stable prices of goods in state and cooperative trade, this excess money in circulation cannot be reflected in higher prices; this is usually the case in the agricultural market, in exchange of goods and money among the population. Thus, excess money in circulation may be reflected only partly in the declining purchase power of the currency in a planned socialist economy. The socialist state has complete authority to curb any further growth of the actual amount of currency in circulation, to safeguard the planned increase of goods and paid services, and thus, to balance the actual amount of currency in circulation with the currency required for circulation. The effect of price policies which the socialist states implement from time to time may restore the balance of currency in circulation; the main purpose of price adjustments usually does not follow the interest of balanced circulation of currency but is motivated by other reasons.

In very special cases, such as the war emergency, a considerable imbalance developed in the proportions of the currency in circulation. Then the USSR, the CSSR and other countries, which at that time were people's democracies, resolved that situation by means of financial reforms in order to gain a new balance and stability of their currency in circulation; however, other socioeconomic tasks targeted against the vestiges of the exploiting classes, speculators, black marketeers, etc., had to be resolved at the same time. Under normal conditions, even if there is occasionally a greater excess of currency in circulation, measures such as financial reforms are not applied; however, the policies of the socialist state with respect to increase of goods and paid services and of currency in circulation gradually balance the actual amount of currency in circulation with the amount necessary for circulation. For instance, the situation in our country in 1968-1969 was resolved in that manner, when, among other things, the actual amount of currency in circulation exceeded the amount necessary for circulation. As concerns currency in circulation, the consolidation process was basically successful.

The extensive experience from the process of building of socialism still demonstrates a certain excess of currency remaining in the hands of our population. Since total prices of goods and paid services are comprehensively balanced with total incomes of our population, the excess stems, among other things, from the unsatisfactory structure in the offer of goods, the population's savings for special purpose, nest egg for emergency or for anticipated family events, etc. However, most such savings of the population are deposited in the State Savings Bank.

Furthermore, it would help considerably reduce this amount of currency in the hands of the population if the market were to function more consistently and if it were flexible in adapting the offer of goods to the type of goods in demand by the population and if the so-called feedback--the demand for products in the market—were flexibly conveyed to production.

3. The actual amount of currency in circulation is less than the amount necessary for circulation ($Ms < Mn$). Such a situation could result from a slower growth of the financial income of the population than the increment of goods and paid services, which means that goods are in certain excess. In a socialist state, such a situation is resolved by means of several available measures or of their combination: a) reduction of prices for goods and paid services; b) accelerated increase of financial incomes of the population; thus, the balance of the actual amount of currency in circulation with the amount necessary for circulation is restored.

Not only are these three instances theoretically possible but they do occur in the process of building socialism; actually, they express the specific practice of planning and control of the sector of currency in circulation based on the application of laws of currency circulation in a socialist economy.

Society pays certain costs for the circulation of currency which are included among the so-called simple costs of circulation. Such costs do not contribute to social wealth; on the contrary, they diminish it because they must be covered from overproduction created in material production. They are essential and so long as the law of value is in effect, inevitable, albeit completely unproductive. Just think of all those who must transport every day enormous amounts of money from the State Bank, divide it into little pouches and pay it to workers, pensioners, students on scholarship, every person receiving some cash income. Then every day a great many people go to stores or service centers and pay there for the merchandise or services. Then those enormous amounts of money have to be periodically sent back to the State Bank. The money itself—i.e., the coins and banknotes—is totally committed to circulation; its manufacture and handling involves very expensive work for society. Therefore it is only natural that every attempt to economize, to operate more efficiently and to cut down the costs of minting and printing new money, etc., reduces these simple costs of circulation. The extensive amount of work involved in the circulation of currency calls with increasing urgency for modern methods of operation and modern technology to be applied in this area. Such technology is already well known and successfully used in some locations (automatic cash registers in stores, modern money counters, etc.), but the possibilities here are far from exhausted. At the same time, careful handling of money which passes through the hands of each of us every day decreases the amount of damaged money which must be removed from circulation and replaced. Ample opportunities for saving the money in circulation open also with expanded cashless transactions made by the population by money orders in the State Savings Bank (payments of joint invoices, telephone bills, insurance premiums, taxes, etc.). All such savings of nonproductive costs of currency circulation have not been fully appreciated and utilized in our country.

Cashless Transactions

A specific problem connected with the application of laws regulating the circulation of currency is the problem of cashless transactions which are done without real money, simply by credits to the bank accounts of

enterprises. Cashless transactions, an inevitable requirement of every developed economy, are based on the principle that merchandise is paid for or loans are repaid by transfer of funds from the purchaser's or debtor's account to the account of the seller or creditor.

In a socialist economy, cashless transactions between socialist state enterprises and also in their relation to the State Bank and state budget are practically the only feasible financial and credit transactions (if we disregard small purchases). Cashless transactions are also subject to the laws of circulation of currency, however, with their own significant idiosyncrasies. Financial funds deposited by enterprises in their bank accounts are used to pay for goods in wholesale trade as well as for other invoices (for example, for transportation, etc.). The amount of bank accounts of enterprises used for payments is in principle determined by the demands of the balance and dynamism in the socialist economy. In the final analysis, shortages or excess of such funds will be reflected in the fulfillment of the planned tasks of the enterprises and thus, also in the amount of the currency needed for circulation.

The extent to which the laws regulating circulation of currency are rationally applied and the overall objective preconditions for a dynamic economic growth of the socialist economy are inevitably reflected in monetary stability and in the people's trust in the currency. Our socialist society has every opportunity to safeguard and consolidate that stability. Naturally, realization of that opportunity depends on the general situation in national economic planning, on actual performance of the economic mechanism, on the extent to which the laws on circulation of currency are known and rationally applied, on the daily achievements of financial and other economic organizations and on the achievements of the enterprises. Monetary stability is not so much in the hands of central planning and financial authorities as the result of conscientious work and fulfillment of duties in every sector, VHJ [economic production unit], enterprise and every direct manufacturer.

9004
CSO: 2400/226

BRIEFS

MINING DISASTER REPORTED--On 27 April at 1325 hours, a tremor within a mountain massif caused a blockage in the First Mine of the Czechoslovak Army in Karvina, trapping underground 11 miners. Rescue teams began their operations immediately and families of trapped miners were notified. The leading secretary of the North Bohemian CPCZ Regional Committee Miroslav Mamula, the CSSR Deputy Premier Ladislav Gerle, the CSSR Minister of Fuels and Power Vlastimil Ehrengerger, as well as trade union representatives arrived at the scene of the mining disaster. [Bratislava PRACA in Slovak 28 Apr 83 p 2]

CSO: 2400/262

VICE MINISTER ON PROSPECTS FOR CHEMICAL, LIGHT INDUSTRIES

Warsaw ZYCIE WARSZAWY in Polish 14 Mar 83 p 2

[Interview with Marian Skowerski, vice minister of chemical and light industry, by Ryszard Nalecz of PAP]

[Text] PAP reporter talks with vice minister of chemical and light industries Marian Skowerski about the influence of chemical industry upon other industries and about nearest prospects for the development of this sector of the economy.

[Question] Supplies of semi-finished products and of chemical components condition to a large extent the volume of production of, practically speaking, the entire economy. Voices are being raised, however, from all sides that the chemical industry does not keep pace with the needs of other industries?

[Answer] This statement, unfortunately, is entirely correct and true. Already since the second half of the '70's the development of the chemical industry has been slower than the development of other branches of industry. This, as a consequence, limits production or creates in those branches increased demand for compensating imports. The dependence of the growth of, literally speaking, the entire economy upon the development of the chemical industry is so close and direct that the results of any impediments in the development of that industry are automatically carried over to the rest of the industry, to agriculture, to housing, or to transportation.

[Question] But few years ago this deficit was still not as high as it is now?

[Answer] On the whole--yes, because it was being made up to an increasing degree by imports, particularly from the Western countries where more than half of the supplies was coming from. In view of the present drastic shortage of foreign currencies and of the well-known restrictions from these countries such great dependence of chemical industry upon supplies from capitalistic countries has caused real limitation of production both in the chemical industry and in other branches of our country's industry linked cooperatively together.

[Question] What actions are being taken to reduce this dependence and to increase exports?

[Answer] The ministerial program of the most essential undertakings prepared in 1982 includes 184 investment, modernization, and organizational projects. It is already being implemented and it includes undertaking anti-import production of raw materials for all branches of chemical industry, such as the manufacture of medicines, detergents and hygiene items, insecticides, fertilizers, rubber products, plastics, dyes, paints and varnishes, auxiliary products for textile industry, for leather industry and others.

Practically speaking, the entire program is based upon our own technological processes prepared by the ministerial scientific and research units and in part also by the complex of industrial establishments. When it is fully implemented it will bring economic gains worth 150 million dollars (USA) and will result in the increase of production to the amount of 13.6 billion [illegible].

[Question] On what do you base your optimistic assumptions?

[Answer] As a result of an intensified activity during 1982 which had as its objective limiting of imports, 45 programs have already been instituted which have resulted in reduced purchases from the dollar zone by 37 million dollars. Part of anti-import production is supplied by the scientific and research units. This is not, of course, production on the scale of industrial needs but its value last year has reached 2 billion zlotys. The next 47 programs are being readied for implementation during the next few years. These should result in further cuts in imports by about 30 million dollars. The effects just mentioned of foreign currency savings are mainly the results of scientific and research activities carried out by the ministerial branch institutes. We are thus striving to selectively concentrate our efforts on solving those problems which will allow us to achieve maximum production with minimum of imports and which will markedly eliminate the disruption of co-production arrangements with other branches of industry.

[Question] It can be seen from this that the chemical industry--independently of projects launched on its own initiative--requires a substantial amount of capital even for its survival, let alone for its development. Does not the lack of funds for such extensive needs threaten to cause stagnation?

[Answer] Many concrete steps need to be undertaken for the chemical industry to get through this very diffic[illegible]d. In spite of investment limitations the government has made [illegible]sion to finish large construction projects with funds from its central resources. Thus before the end of this year a PCV [polyvinyl chloride] plant in Wloclawek will go into operation and so will the first ammonia plant in Police. The construction of an antibiotic plant in Tarchomin is entering its final stage

Intensive work is being carried out in Kedzierzyn for construction of a plant to produce the so-called OXO alcohols. They are the components of

many chemicals, such as plastics, paints and varnishes. Much depends also on individual establishments themselves. For some branches of the chemical industry, for instance, those producing fertilizers and insecticides, the possibility is now open to take advantage of tax relief for undertaking investments. So one can not talk about stagnation in the chemical industry, even though we are conscious of the fact that there are not enough means to quickly overcome past backlogs so that chemical industry could supply other industries with amounts of products that they need.

12207
CSO: 2600/678

RELATIONS WITH INTERNATIONAL ORGANIZATIONS DISCUSSED

Foreign Trade Official Comments

Warsaw SZTANDAR MLODYCH in Polish 29 Mar 83 pp 1,3

[Interview with Dr Boguslaw Sosnowski, director of the Department of International Economic Organizations of the Ministry of Foreign Trade, by Jaczek Swidzinski, date and place not specified]

[Text] [Question] To how many international economic organizations does Poland belong?

[Answer] There are several hundreds of these organizations altogether. Cooperation with international organizations occurs on various levels, beginning with physical and juridical persons, enterprises, and ending on the government level. The Department of International Economic Organizations of the Ministry of Foreign Trade is occupied with the most important organizations we have contact with in the framework of government cooperation, in which case, it is necessary to note that we limit ourselves to the foreign trade field and to the economic cooperation connected with it. Contacts with organizations of a specialized nature are within the jurisdictions of other ministries and central organs. For example, cooperation with the FAO lies within the purview of the Ministry of Agriculture, although the concluding of agreements having to do with trade by this ministry takes place with consultation with the Ministry of Foreign Trade. We apply a similar procedure in contacts with other ministries. Of particular importance is cooperation with the Ministry of Foreign Affairs, which coordinates the totality of cooperation between Poland and international organizations.

[Question] And what kinds of international economic bodies is the Ministry of Foreign Trade most interested in?

[Answer] These are: GATT, or the General Agreement on Tariffs and Trade, UNCTAD--United Nations Conference on Trade and Development, UNIDO--United Nations Industrial Development Organization, the Trade Development Committee of the Economic Commission for Europe, and the International Trade Center ITC/UNCTAD/GATT. In addition to this, within the competence of the Ministry of Foreign Trade lies the participation in international commodity agreements, such as the International Tin Agreement and the Internationl Sugar Agreement.

I would also add another--our department also coordinates the activity of the Polish delegates in the CEMA forum in matters of international economic organizations.

[Question] So, how much does it cost us to belong to specific organizations of this kind?

[Answer] It is impossible, as far as it goes, to say how much the contribution to GATT is, inasmuch as it is impossible to define exactly the cost of membership in UNCTAD or UNIDO. This stems from the fact that UNCTAD, UNIDO, and the ECE are UN organizations, and their costs are covered from the budget of the United Nations Organization.

[Question] My question was of a provocative nature. What I meant was "whether we're not buying a pig in a poke..."

[Answer] Although the question is appropriate, the implied meaning is wrong. It is not possible to make balances of this kind: we gave out so much dues during X number of years, for example to the GATT, and that brought us so much and so much dollars profit. Anyway, it would be also difficult to calculate how much we would have lost if we had not participated in the work of these organizations.

The majority of these organizations are of worldwide scope: if over 100 countries of the world belong to them, we should also belong, in the spirit of the principle "the one who is absent is the one who is wrong." A vast flow of information stems from there. Our presence makes it possible to gain a real influence, especially within the framework of the mutual stand of the Socialist countries, on the final form of various determinations, or at least to represent our own standpoint.

[Question]...And the later one joins such organizations, the greater the price one has to pay?

[Answer] Under terms of the participation conditions, yet. However, this participation cannot be counted only in a mechanical way. The reason why it is worth being there--first of all, is because these organizations define certain principles, rules, and procedures in various matters of international trade, finances, industrial development, etc. These principles can also be advantageous to us, but they can also turn out to be of no advantage for us. If one is present, if one steps out on such a forum, especially within the framework of a bloc--and we most often come out within the framework of the so-called group D, which encompasses the socialist countries, then at that time, we have the opportunity for minimizing our losses.

[Question] Could these losses turn out to be oh so painful for us?

[Answer] Let us take, for example, the question of the so-called New International Economic Order. It is discussed in the forums of many organizations.

[Question]...are we talking about "North-South" relations?

[Answer] Yes, but not only that. What is concerned is the creation of a new type of economic relations between countries, which, in the future, would eliminate the great differences in the level of development of individual states. Of course, this is a complicated problem and the search for its solution will be of long duration. There are many aspects that manifest themselves here: aspects of raw materials, trade, financing, etc. Through participation in these discussions, we acquire a vast quantity of information, what the plans and intentions are, and what kinds of criteria there are for evaluating the situation in the world economy of various countries and international groupings. This has to be brought under consideration in the programming of our economic policy.

[Question] Sir, I wish to beg your pardon, but in the light of the most recent events--well, we might be able to define our economic policy in an international forum towards Botswana and Lesotho (with full respect for these states), but we are not in a position to do anything against the policy of discrimination by the United States...

[Answer] I do not agree with this point of view. These problems have to be looked at relatively: what would happen if things were otherwise. Would the bilateral relations between Poland and the United States be settled more to our favor without our participation in international organizations? On a strictly bilateral set-up, we cannot do much as concerns such a huge power.

However, within the framework of the international organizations which we are members of, they have to hear out our reasons and objections, in the presence of the broad international society. When Poland was blockaded during the Martial law period, and it was simply not desired to permit our representatives into several Western countries by denying them visas, neither the Americans nor the Swiss were able to refuse, not only the right to enter the country in which the headquarters of our international organization is located, but also in conformity with the principles of operation of the organizations, they had to agree on our active activity in this forum. However, in a bilateral set-up, after the freeze in relations, we would not even have a chance to present our viewpoint.

[Question] To complain and...

[Answer] After the presentation of our own standpoint, there always exists the possibility of appealing to other lesser, but more numerous partners, which, on the principle of one state--one vote, can bring measurable benefits. The states which at that time were not particularly interested in what was going on in Poland realized that some day, they too can encounter the same kind of discrimination. And therefore, they are on our side frequently. That is how it was, for example, at the GATT forum, where, in connection with the suspension of the most-favored nation clause by the United States for Poland, the majority of the countries, not only the developing countries, but also the capitalist countries, assumed positions that were either neutral or in sympathy with Poland.

[Question] As long as we are dealing with GATT--does the membership in this organization bring us just benefits? For, we know that we have not been fulfilling the condition designated for us for several years: we were to have increased our imports at a rate of 7 percent annually. For several years, we have been contending with this principle...

[Answer] In entering GATT, Poland received a multilateral most-favored nation clause, and received preferential tariffs treatment. If we were not a GATT member the possibility would be present for the application of normal tariffs against us. Then, our export would be unprofitable in many cases.

In entering GATT, we did not have tariffs. And for this reason, we proposed to increase our imports from member countries by 7 percent.

[Question] ...and why did we not have tariffs?

[Answer] First, tariffs are one of the many instruments of economic policy of a state. During the period when the participation of Poland in world trade, especially trade with non-socialist countries, was not developing dynamically, and with the application of other trade policy instruments, there was no need for introducing tariffs into trade turnover. Secondly, tariffs have to fulfill several conditions, and they must be a price-formation factor. For many years, prices in our country were separated from the foreign area. Until that time--at least in view of the existence of official prices, our system did not fully meet this requirement. In addition, GATT accepts the principle that tariffs cannot be discriminatory in nature. And thirdly, during those years, we did not publish the official exchange rate, which made it impossible to carry out any kind of conversions. In joining GATT, we had to propose certain concessions on our part in exchange for the most-favored nation clause treatment. So, we proposed an increase in imports from the parties to the treaty jointly, and for a number of years, we have been adhering to these conditions.

[Question] It can be adjudged that on a long-range basis, participation in GATT will force a number of changes in its system of functioning, of its economics. It is not GATT that is forcing such changes, only logic and the need for economic reform, which, in its end purpose form, is in conformity with the spirit and principles of GATT.

[Answer] However, GATT is based on a few basic principles. Above all, what is involved is the ability through international trade, to utilize the international division of labor, to buy what others produce at low cost, and to sell the things that we produce at low cost. The purpose of this organization is trade liberalization and the creation of conditions for free competition through the elimination of trade barriers, along with the avoidance of so-called unfair competition. In describing the effects of tariffs, it is necessary to point out in the entire economic system, thereby, the answer to the question: what are the other means that the state uses to regulate export and import matters. As a result, we have to show what our foreign exchange controls are like, and how the subsidy system operates. It is necessary to be prepared for such questions.

[Question] It appears from this that our participation in GATT could come into question...

[Answer] No. This agreement provides for a member state, as a result of a difficult economic situation, to apply protective measures for a specific period of time, especially for improving its balance-of-payments. However, we have to be properly prepared for the fact that in representing tariffs, we will be simultaneously representing the entire foreign trade economic system, and its conformity with the rules of the game set by GATT.

[Question] And could they simply oust us from there?

[Answer] The general agreement, which is not only an international organization, but at the same time, a multilateral trade agreement, does not anticipate such a solution. Nevertheless, the remaining member countries--to the extent that we will be abiding by the provisions of the agreement and the access conditions--can consider themselves freed of obligations toward Poland. At that time, our membership will become strictly nominal and purposeless from the standpoint of economic interests.

[Question] Are commodity quotas applied toward imports from Poland in EEC countries in conformity with GATT stipulations? Does the fact that these countries are applying tariffs against Poland, and that in transactions within the EEC, these tariffs have been abrogated, point to discrimination?

[Answer] As far as tariff policy is concerned, the EEC is a customs union, and this principle is accepted by GATT. Within the framework of progress in integration, certain powers of the governments of EEC member states were transferred to a supranational body, such as the Commission has become.

This applies, among other things, to the conclusion of trade agreements with third-party countries. In this situation, our trade agreements with EEC countries that guaranteed us most-favored-nation-clause treatment are no longer binding, and GATT became the only legal act guaranteeing most-favored-nation treatment in mutual relations with EEC countries. Making use of participation in GATT of both Poland and the EEC member states, we have managed to negotiate a number of agreements with this group, such as, an agreement on the matter of textile exports, as well as on metallurgical products.

However, as far as quantitative limits are concerned, GATT basically is pledged to abolish them. In their relations with Poland, the EEC countries are doing this, making use, however, of certain stipulations of the Access Protocol and are doing this slowly, in which case, in general, these are not those limitations and those commodities which we are concerned with the most. The restrictions have been lifted in greater degree as regards developing countries than as regard the socialist countries.

[Question] GATT is of greatest importance for us, but what is the role of UNCTAD, UNIDO, and UNDP [United Nationsl Development Program]?

[Answer] Since these are United Nations organizations, the majority within them is held by developing countries, and they are striving to restructure these organizations into a forum for presenting and protecting their own interests. We have to keep this process in mind. In many political, social, and also economic matters even, we come out jointly with these countries against the highly developed capitalist countries. Within the framework of these organizations, we also create conditions for the development of trade and cooperation, and this is done in a wide variety of forms. I think that we also pay too little attention in our long-range plans to changes in the economic structure of the developing countries, which can be noted very clearly right in the framework of the work of these organizations.

[Question] Sir, we are speaking up to now about international economic organizations to which Poland belongs. There are others we do not belong to: the International Monetary Fund, the World Bank...

[Answer] The Americans are blocking our access to the IMF. However, I would call attention to a certain fact: during the past year, we arranged the refinancing of our obligations with respect to private banks. If the government banks decide on taking up similar discussions, then probably the matter will be brought up in the International Monetary Fund. This is linked to the matter of finding an over-all solution to the question of world indebtedness, and in this respect, Poland has already passed over to a somewhat further plane--there are debtors who are encumbered much more heavily than we are. This problem is being dealt with by, not only numerous international organizations: such as the International Monetary Fund, but the World Bank, etc., but also by such institutes as the Brandt Commission and the Club of Paris. This might even be the most important subject of international negotiations in the next few years. In my opinion, within the framework of undertaking attempts for an over-all solution, the matter of the indebtedness of Poland has to be looked at. And this will also influence the matter of Poland's entry into the IMF. Of course, there are many other factors influencing the acceptance of Poland in the IMF.

[Question] What can membership in the monetary fund give us specifically?

[Answer] First of all, for a certain time after its entry into the IMF, Poland can obtain credits. These are low-interest credits that could be used to stimulate our economy. Secondly, we would be able to make efforts toward getting credit also in the World Bank. Thirdly, many very large capital investments in the Third World countries are financed with World Bank funds. Not being members of it, we cannot have access to this vast market except on a subcontractor basis, as a third party.

[Question] Again, nothing but gains. Why, for a number of years, the voices against joining the International Monetary Fund were louder.

[Answer] There are also demands. First of all, our financial contribution. In addition, in joining the IMF, we would receive--the same way as a number of other states have previously--so-called recommendations concerning certain measures within the framework of our economic policy. The realization

t such recommendations is later carefully observed by the IMF. Some of them can be of a quite restrictive nature, for example, if the area of consumption is concerned.

[Closing statement of interviewer] Sir! From this, we come to the conclusion that participation in international economic organizations is bringing us certain advantages, but also places obligations on us, which can in the long run influence the direction and range of changes in our economy. If we want to have the advantages, we must then respect the rules of the game.

Relations With GATT

Warsaw HANDEL ZAGRANICZNY in Polish No 2, 1983 pp 8-12

[Article by Marian Paszynski based in part on work done at the Institute for Trends and Prices of Foreign Trade]

[Text] The stormy ministerial session of GATT bore witness to the overall crisis in which the international economic relations and the system of their multilateral regulation, embodied to a significant degree in the general agreement have found themselves. The commentaries that appeared after the closing of the session even cast doubt on the changes for the maintenance of the standards that GATT established and strove to implement and outline a prospect of reversion to economic isolationism and even trade war among the main powers of the capitalist world. "The 5-day trade conference...not only did not bring about a break in the rising wave of protectionism in the world, but could have also initiated a period of trade war between the European Community and the United States...," states the INTERNATIONAL HERALD TRIBUNE.[1] Even assuming that this opinion reflects the particular frustration of the inability of the United States to achieve its intended goals at the session, their repercussions remain significant.

For the session was faced with the fundamental problem of maintenance or disintegration of the world system of multilateral regulation of international trade established after World War II. The solution of this problem is of enormous significance for the evaluation of the future of the world economy, the development of which, in the last few years--to the extent of increase in the opening of economies of individual countries and their economic interdependence--had been dependent in an ever increasing measure on the expansion of international trade. And this, in turn is dependent upon the proper functioning of the system of multilateral regulation of international trade. As is known, a weakening in the economic growth in the capitalist countries intensified the protectionist pressure, and caused the appearance of new forms of protection of the market, which impair the ability for its multilateral regulations.[2]

To an increasing degree, the world trade system became discriminatory, and more and more confused, in which case, non-tariff barriers levied unilaterally began to dominate in it, and even if these were negotiated, they were outside the framework of the institution of international regulation of the GATT type. On the basis of unilateral actions or via the route of bilateral

"understandings," restrictions in the access to the market were introduced, which--as for example, the voluntary limiting of exports--are not subject to control and supervision within the framework of the traditional standards of procedure in international trade relations, which leads to a considerable constriction of the area of exchange governed by the laws of the market, or encompassed by these standards. Conflicts between states on this background become more acute, and if they really bring about the break-up of the international trade system, they will lead, as a consequence, to the further cumulative reduction of the economic growth curve and to crisis in the world economy.

Another instrument of protectionism, which is becoming more and more important these days, has been the subsidization of production and export, which fulfills the function of protecting the market directly (by facilitating the competitiveness of domestic production with imports) or indirectly (by means of creating a situation in which the profitable export permits the support of non-competitive domestic sales). Subsidies have not only become a substantive reason for delays in the process of necessary structural adjustments, but to an increasing degree, they are the cause of friction and conflicts in relations among industrialized countries. In this respect, inasmuch as they have traditionally become an alternative to other instruments of protection, they are currently being applied as a supplement to them.

Recently, a new manifestation of restrictive trade policy based on the use of economic instruments has also become important (in the form of export embargo, limiting access to a market, restrictions in the technological transfer sphere, and in credit) for political purposes. This is most evident in the East-West relations but it is by no means restricted to them. The last IMF report--ANNUAL REPORT ON EXCHANGE RESTRICTIONS, 1982--asserts that although up to now, the breaking off of international trade was a reason rather than a result of pressures for restricting access to markets, these pressures, "...if they do not get blocked off, can, in effect lower international trade in a cumulative way, and cause the ruination of progress in the area of liberation of the trade and payments system achieved during the last 30 years."[3]

A. Dunkel, General Director of GATT, notes that there are indications that an ever increasing number of governments are aware of the danger of the collapse of the system of multilateral regulations of international trade. "Fortunately," he said, while still before the ministerial session, "it appears that there has been an increase in the agreement of views as to the fact that it is necessary to undertake action for building up confidence in the system of regulating world trade, and that GATT, although not perfect, is the sole competent instrument for realizing such an action."[4]

Director Dunkel's optimism turned out to be somewhat premature. In basic issues, the ministerial session did not bring about substantive progress, especially, it did not create barriers to the increasing wave of protectionism. Its most optimistic accent was the improvement and strengthening of the system and the conciliation procedure in disputes among the parties to agreement. However, in spite of the fundamental differences, the conference

participants did not want to allow the [illegible] of this form of institutional establishment and supervision of standards of procedure in international trade, such as GATT is. It appears, that the fear of a return to the economic nationalism of the 1930's, which was unrestricted by any kinds of limitations, with its tragic results for the world economy, was stronger than the disputes stemming from within GATT.

The situation that developed in international economic relations and the system of their multilateral regulation places on the agenda an evaluation of our relationship to the general agreement. This requires not only the recognition that the agreement is becoming less and less effective, but also the conviction, that from the beginning, it was not calculated to accommodate countries with a social-economic structure that is different than the capitalist structure. "Officially, GATT is a protocol regarding tariffs, set up in the form of a multilateral treaty, but orientation in the direction of a free-market economy is an inherent trait of the main stipulations of the agreement, and elements of the theory of free trade had an influence on its formulation."[illegible] In this connection, the access of socialist countries to GATT was a subject of individual prolonged negotiations, which necessitated compromises on both sides. From this stem the voices saying that participation in the GATT is not advantageous and that alternatives to GATT ought to be searched for in the form of a more universal international trade organization, and in this very way, to cause the erosion or elimination of the system enacted in GATT.

In spite of the above-mentioned justifications, Poland, as it can be seen, ought to be interested in strengthening and not in overthrowing GATT, and in participating in and not in leaving the agreement. Seemingly, this appears to be a paradox, but it is justified by three circumstances. First, from an economic standpoint, we should not be interested in breaking up a system of international economic cooperation, which would intensify the world economic crisis with substantial negative repercussions of same for the export and economic development of our country. Secondly, in connection with this, we ought to retain an effective mechanism of multilateral regulation of these relations, which would prevent this kind of break-up. During the current period, there is no realistic alternative to GATT in this area. Accordingly, thirdly, the departure from GATT would lead to a loss of advantages and an increase of dangers for our economy. Let us hold fast on that last premise.

The advantages of membership in GATT are connected mainly with the extension onto the member countries of the most-favored-nation clause, which brings with it, the automatic coverage of all tariff concessions negotiated within the framework of the agreement. The obtaining of most-favored, nation clause that comes with participation in the agreement, inhibits the inordinate manipulation of obligations, which is possible to a significant degree in the case of recognition of the clause by virtue of bilateral agreements. The advantages from GATT participation also derive from the nondiscrimination principles contained within the agreement--although they are not always applied consistently--and also the obligation provided by the letter of the agreement for eliminating quantitative limitations in trade, which are still applied against us in many cases, especially by the EEC.

It does not appear, however, that these would be the basic advantages connected with participation in GATT. The main advantage of membership in the agreement, it appears, derives from its very multilateral nature. The multilateralness of GATT is of particular significance in relations between states with unequal economic potentials, even if its stipulations are not always respected (especially during the current period). In a situation where the strengths are unequal, it is always easier for the partner with the greatest potential to force conditions of trade structure and economic relations on the weaker one, when these conditions are set on a bilateral plane, rather than in a situation, when the possibility exists of appealing to the opinion of other parties to the agreement, even though this opinion would not be totally unbiased. The very necessity of explaining oneself in a multilateral forum on steps taken in the area of trade policy creates an impediment to the unlimited exploitation of advantage that the states with greater trade potential have relative to other partners. In addition, within the framework of multilateral discussions, it is possible to build communities of interests making it possible to defend one's own arguments.

Additional advantages from participation in the agreement result from the establishment in GATT of procedures and criteria, the following of which is required in the case of justified deviation from its stipulations (especially in the application of protective clauses), which comes out to the advantage of the countries threatened by these deviations. This limits arbitrariness in limiting access to a market or in competition, allows the forcing of certain disciplinary measures on countries introducing restrictions, especially the need to justify in public the necessity of the action taken, the definition of the period of its effectiveness, and the subjection to periodic reveiw for evaluating the effects of the action taken for other countries, the necessity of notification of deviations from the agreement that have been introduced, etc. All of this also increases the openness of trade policy. In some cases, it is necessary to renegotiate the compensation for the restriction introduced.

The requirement to subject oneself to multilateral judgment in the case of deviations from the agreement stipulations undoubtedly limits to a certain degree the freedom to force one's will upon weaker partners, which cannot be assured within the framework of bilateral agreements. The agreement contains stipulations, also, that regulate the question of settling disputes by way of consultation and conciliation which makes it possible to resolve them within a multilateral context, and can assure their more effective and less biased adjudication and can also prevent them from occurring.

Of course, the afore-mentioned advantages from membership in the agreement are the inverse side of the obligations emanating from it, which every member state has to abide by. However, the advantages that GATT participation provides gives countries with less economic-trade potential appear to outweight the inconveniences connected with the necessity for obeying the stipulations of the agreement.

The dangers resulting from non-participation in GATT (especially from leaving the agreement by our own initiative) are connected with the possibility of

removal of the most-favored-nation clause for us (meaning, therefore, a worsening of our situation with respect to tariff treatment), and the untying of a partner's hands in the area of applying quantitative restrictions as regards our exports. These dangers seem to have less significance, however, and appear to have a lesser degree of probability of occurrence than the loss of advantages from participation in GATT. Today, tariffs are not the main instrument of trade policy, nor a fundamental barrier to access to a market, although in the case of certain commodities, the application of tariffs would place our export in a considerably less advantageous situation, or would eliminate it from a market (such as, for example, ready-made clothing in exports to the United States). It would also be hardly probable that member states would decide on a drastic worsening of the conditions for market access of Polish [illegible]s, which is attested to be the fact that they did not follow the example of the United States, and did not withdraw the most-favored-nation clause [illegible] to us, in spite of pressure on the part of the U.S. administration. We would be in a worse situation, of course, if we ourselves declined [illegible] agreement.

In connection with the above, we ought rather to strive for strengthening GATT than for weakening it, in spite of the erosion of the effectiveness of the multilateral rules of the game that is taking place currently. As has been noted, the interest of the socialist states in strengthening the multilateral international economic cooperation regulation deriving from the capitalist system appears to be a paradox. It does not stem from [illegible] the capitalist system, but from a sober calculation of the losses and advantages connected with the break-up or maintenance of such a system of regulation. A similar argument can be used, not only for GATT, but also for our attitude towards the other mainstay of the international multilateral regulation system--the International Monetary Fund. Without even being a member of the IMF yet, we should rather be interested in the strengthening of the fund, and even in its improvement, and not in its destruction. For the stability of the monetary system, within the bounds of which function at least one-half of our foreign trade turnover, a decisive majority of our credit relations, and a considerable part of service turnover, is advantageous for us.

If we accept the afore-mentioned reasoning as basic, and also, if our economic interest requires the strengthening of GATT and further participation in the agreement, the formula for participation in GATT has to be settled. As is known, Poland is not in a position to realize the main stipulations of the protocol on access to GATT, i.e., the obligations to assure an increase in imports from member countries according to an average degree of growth of 7 percent per annum during 5-year periods. Since the breaking off of the tenth review of the access protocol in 1978, the matter of realizing this protocol has remained in suspense. This situation creates conditions for the eventual renegotiation of the formula of access to GATT. Another circumstance that can bring about such a renegotiation is the reform of the system of economic management, which has currently been introduced. The maintenance of the access formula as it stands is neither possible or advantageous.

First of all, the prospects of staying in payments difficulties for a long period are making it impossible to accept binding obligations of increasing

imports, especially from capitalist countries, and even more so, as concerns an increase in imports at a rate of 7 percent on an average annually. Secondly, the principle of increasing imports that was adopted is in all circumstances disadvantageous. It will tighten up the obligations in relative short time periods, whereas--as practice has proven--the level of imports is subject to considerable fluctuations. On a long range basis, it operates in the direction of increasing obligations, since the exceeding of them in any 3-year period will raise the level of the initial base upon which the increase in imports is calculated, that has to be provided in the coming period. In addition to this, the Polish access formula (the same as the Rumanian one, but opposite to the Hungarian formula) recognizes the difference in the economic system as a basis for determining the degree of mutual concessions, which, from the nature of things, creates the prerequisites for differentiated treatment (and also, for potential discrimination) within the framework of the agreement. At the time of entry of Poland into GATT, it was impossible to obtain other access conditions with respect to the fact that distribution-directive system of economic management did not create an opportunity for adopting another basis of negotiation other than the obligation for import growth in exchange for tariff concessions.[6] The situation of Hungary was different, since it entered into negotiations with GATT immediately after the implementation of reform. The beginning of the implementation of economic reform in Poland can thus create conditions for the renegotiation of the access formula.

Nevertheless, it is not likely that the parties to the agreement would accept only a change in the size of the import obligations of Poland within the framework of the existing formula, especially since these changes would have to be radical.

The renegotiation of the access formula would be possible under favorable political conditions. "During the time of deliberations over the entry of Hungary into GATT, there was a political will of the parties to the agreement toward accepting Hungary as a full member of their multilateral system."[7] During the current time, the political climate for negotiating the access conditions is less advantageous for the socialist countries (especially for Poland). The over-all strain in East-West relations, especially the policy of the U.S. Government in this respect, as well as the introduction of martial law in Poland, did not create an atmosphere conducive to the articulation of political will, as was noted during the time of negotiation of Hungary into the agreement. However, the worsening of the political climate did not reach --as it appears--a limit beyond which the accomodation of Poland in GATT could not be attained. This is pointed out by the position of numerous European and overseas countries in the matter of economic relations with the socialist world, the abrogation of the American embargo on the supplying of equipment for the Urengoy gas pipeline without balancing quid pro quo from the European side, the hopes for normalization of East-West relations connected with the new Soviet leadership, and also the prospect for normalizing the political situation in Poland, including the context of suspension and eventual abrogation of martial law.

If renegotiation of the conditions of access of Poland to GATT becomes possible from a standpoint of political climate, it would be appropriate to

base the formula of this [illegible] on the new conditions--according to the Hungarian model--or the parties to the agreement of the new model [illegible] of the economy introduced as a result of economic reform as being in conformity with the requirements of the agreement. This would result in the elimination from the access formula of those elements that reflect the inequality of treatment resulting from the assumption of systemic difference. The Hungarian access formula does not contain such an assumption in principle.

However, in such a situation, renegotiation would require an immediate state on the [illegible] in Poland of conditions for renegotiation. This is extremely essential since--as the Hungarian experience proves--the parties to the agreement were ready to accept new access conditions only on the basis of a full implementation of the new economic mechanism, and not the declaration of intent in this area, or even the adoption of partial steps for changing the economic management system. This is even more essential to the extent that the political climate of discussions is unfavorable. In this connection, the fulfillment of conditions for entry [illegible] into GATT [illegible] full, consistent, and measurable [illegible] economic reform in a form that would permit the parties to the agreement to recognize that renegotiation on the basis of tariff concessions will create conditions that assure equivalence of concessions on both sides. Difficulty or complete impossibility of renegotiation of access conditions would be created by the adoption of measures on our part that [illegible] of reform or its implementation, or would [illegible]. Finally, it is desirable to [illegible] that [illegible] the principles that would become the basis of renegotiations [illegible].

The basic prerequisite for the renegotiation of the access formula has to be the provision of a price formation function to tariffs, and to conduct a price and foreign exchange policy in conformity with this principle. Especially, there should be assured the direct transfer--through foreign exchange and tariffs--of the level of foreign prices on the level of domestic prices of imported goods, and the actual formation in this connection of a sphere of [illegible] and relation of official, controlled, and contract prices. It is necessary also to avoid the tendency to use tariffs as a substitute for foreign exchange policy, especially in the formation of the prices of [illegible]. In the case of entering into renegotiations, it would be necessary to [illegible] massive changes in tariff levels, which could be interpreted as a [illegible] the presentation of tariff [illegible], and thus it would provide an [illegible] the offering of [illegible].

In the same way as the use of tariffs as a substitute for foreign exchange policy, the continuation of the use of the exchange rate mainly as an instrument of anti-inflation policy would also be incomprehensible and difficult to accept for the partners. The maintenance of an inflated exchange rate of the zloty, and [illegible] of other [illegible] effects of this [illegible], and creation of a [illegible] in the intensification of exports and the [illegible] of production that replaces imports [illegible] the

need for export subsidies or production for export that is out of line with GATT principles. An attempt to counteract the effects of inflating the exchange currency for imports by way of putting additional tariffs on them would have to be treated as a measure aimed at limiting access to the market, which is discriminating with respect to one's own production. The introduction of a more sensible exchange rate would be considerably more efficient than the system being used of additional payments or equalizing liabilities on a large scale, and at the same time, this would facilitate the renegotiations of conditions for entering the general agreement.

The example of the Hungarian access protocol shows that the parties to the agreement were included to recognize the difference of the systemic solution in exchanges between Hungary and socialist and capitalist countries (bilateral differences, the foreign exchange rate level), which had already created a precedent in this area. However, this difference was accepted under the condition that this type of difference does not signify the discrimination of capitalist states or preference for socialist states, especially in access to the Hungarian market. Thus, the emphasizing in official declarations of intent to give preference to exchanges with socialist countries (the concept of so-called reorientation) as a tariff policy of a government will undoubtedly be an impediment in every attempt to renegotiate the basis of access. The same kind of situation emerges in the declared need for introducing a policy of "reorientation" of trade toward developing countries.

In any case, a sensitive point of renegotiations will be the matter of activities in the economic policy and trade sphere, which can be interpreted as instruments of restriction, especially of discriminatory access to a market. This can apply to the creation of supply priorities, the expansion of areas of control of materials, the inappropriate introduction of a system of import (and export) permits, and the advocacy of building up bilateral forms of trade, especially conditional transactions.

Finally, an important question in the renegotiation process would be the assurance of independence of the economic subject in the area of production and trade. In this connection, it is necessary to aim at the elimination of subjective or objective restrictions in the policy of granting concessions for trade activity in exchanges with foreign countries, as well as the uprooting of the remnants of the manifestations of monopoly in this area. The gradual expansion of the rights of exporting enterprises to foreign exchange write-offs, and a change in the formula of write-off (right of an exporter to write-off connected with the obligation to sell of a certain portion of the revenue to the state), and also the creation of a certain area of exchange convertibility within the framework of the write-offs (recovery of rights for using foreign exchange under market conditions) would also be helpful in the process of renegotiation.

A necessary condition for effective renegotiation, also is the expansion of the range of published information on the state of the economy and economic policy, including here, the restriction of "copyright." Participation in the general agreement under changed conditions also has to require a broad and thorough education of the government apparatus, including also, the

economic apparatus. What is concerned here is that the actions of the government would not violate the principles on which the participation of Poland in GATT will be based. The point of the matter is the restructuring of the mentality of the apparatus, which up to now, was oriented inwardly (thinking in categories of a closed economy). The thinking and the action of the government apparatus and the economic apparatus has to consider all consequences of the decisions they adopt, even those that are connected with the participation of Poland in a system of multilateral regulation of international economic relations, including also, participation in the general agreement. This also concerns the actions in the area of formation and implementation of economic reform. In the process of formation and implementation of reform, the questions of international repercussions of proposed solutions have to be studied with particular thoroughness.

The consideration of the international consequences of economic policy, is certainly not an easy matter, and it entails an increase of difficulties and [illegible] efforts on the part of the state apparatus and [illegible]. The alternative to this increase in effort, including educational effort, would be the withdrawal from participation in institutions of multilateral regulation of international economic relations. This kind of move is possible, but the loss of the advantage from participation in an international system of multilateral regulation, as well as the increase in [illegible] connected with the withdrawal from this system, would result, in consequence, in [illegible] social-economic cost. One can escape the [illegible] through the increase in obligations by virtue of the need for considering the international factor in the formation and implementation of economic policy.

FOOTNOTES

1. A. Krause, "GATT Conference to Liberalize Trade May Have Helped [illegible] Trade War," INTERNATIONAL HERALD TRIBUNE, 1 Dec 1982.

2. According to GATT estimates, about [illegible] percent of the international [illegible] are encountering non-tariff barriers to access to markets. [illegible] "[illegible] Or a Trade War?", NEWSWEEK, [illegible] 29 Nov 1982, p [illegible].

3. [illegible] SURVEY, Vol 11, No 10, 1 Aug 1982 [illegible].

4. Address by Mr Arthur Dunkel at "[illegible]," [illegible] 3 March 1982, GATT/1312 dated 5 May 1982.

5. [illegible], "GATT and State-Trading Countries" JOURNAL OF WORLD TRADE LAW, Vol 9 No 3, June 1975, p 319.

6. Compare [illegible], "Multilateral Commercial Diplomacy," London, 1965, p [illegible].

7. M. Kostecki, "Hungary and GATT," JOURNAL OF WORLD TRADE LAW, Vol 8, No 4, [illegible] 1974, p 419.

FOREIGN TRADE ENTERPRISE OFFICIALS DISCUSS CHANGES, PROBLEMS

Prochem Director

Warsaw RYNKI ZAGRANICZNE in Polish 3 Mar 83 p 8

[Interview with Stanislaw Srokowski, director of Prochem, by Barbara Milewski]

[Text] The Prochem enterprise for chemical industry trade capital investments will be one of the principal members comprising the Polimex-Cekop trade association. The day before the first general meeting of the partnership, the press posed several questions to Stanislaw Srokowski, director of the Prochem enterprise.

[Question] What motivates your decision to form this partnership, and why did you in fact choose Polimex-Cekop?

[Answer] We were guided by the potential benefits which this action will bring about. At the same time we were not concerned with immediate benefits, like for example a share of the profits, but rather with more long-range benefits. Above all, I am thinking about the improvement in Prochem's standing and increasing its foreign market participation, something which should come about as a result of our participatory influence in the development and shaping of a trade policy for the entire partnership.

The bringing in of 30 shares totaling 30,000,000 zlotys allows us a certain amount of influence. I wish to emphasize that currently we are particularly concerned with acquiring export orders. Here in the nation we do not feel adequately utilized. The investment limitations resulted in the fact that we are currently fulfilling the duties of a general contractor, concerned merely with one construction project, specifically the Polfa antibiotic plant in Tarchomin.

We received proposals to form a partnership from several foreign trade enterprises. Nevertheless, from among them we chose Polimex-Cekop, an enterprise with which our hitherto existing cooperation of several years is proceeding exceedingly well. Selection was also based upon the export profile of this enterprise, which specializes, as is well known, in the export of

complete industrial installations, and in a field of great planning and development interest for us.

[Question] Why did you not take advantage of the established opportunities concerning competition for concessions as an independent exporter in the foreign trade area?

[Answer] We do not feel prepared to answer this question due to organizational as well as financial reasons. Conducting independent export activity, after all, necessitates having control over the entire promotional, advertising and [illegible] infrastructure. We continue to believe that in these areas, we can benefit from the specialized services of the foreign trade enterprises.

[Question] Can you give us a profile of Prochem as a participatory unit of Polish export of capital investments and services?

[Answer] Before I discuss our activity abroad, I would like to briefly discuss [illegible] offer. Thus, generally speaking one can say that it encompasses services concerned with total investment in chemical industry facilities, and responsibility for all activities of an economic, engineering and organizational nature, indispensable for the design and construction of the projects. At the same time, we appear in the role of designer, general supplier and builder. Above all, one of Prochem's sections develops and implements program systems for calculating engineering projects, [illegible], sanitary and electrical facilities, as well as for capital investment needs and enterprise management.

Our earlier collaborative efforts with foreign firms constructing entire plants in Poland were very beneficial in the development of our export activity. For example, during the construction of the Polcorfam synthetic leather factory in Pionki, we were able to work jointly with the British firm Petrocarbon, and during construction of the nitrogen-phosphate complex at the Police Chemical Enterprise we collaborated with the French firm Creusot-Loire.

The first export contracts obtained through Polimex-Cekop were in 1974 and 1975. At that time as a general contractor we built three sulphuric acid facilities in [illegible], Czechoslovakia, and Thailand. Among later larger projects, and there have been ten up to this point, it is noteworthy to mention the designing and delivery of equipment for the GDR Petrochem plant in Schwedt, the [illegible] drinking water pumping station, as well as the initial planning, delivery, assembly and starting up of the Yugoslav Paints and Varnishes factory in [illegible].

[Question] Do you receive orders exclusively through Polimex-Cekop?

[Answer] No. For 7 years we have collaborated with Budimex, in addition orders for project documentation were carried out under Polservice orders.

[Question] Which foreign markets are you concentrating your efforts upon?

[Answer] We deal primarily with socialist nations. Last year our exports totaling 1,300,000,000 zlotys were sent to Czechoslovakia and GDR. Currently we have three contracts with Czechoslovakia. We are delivering sewage treatment equipment to the Duslo Chemical plant in Sali. In addition, this year we are counting on orders from Bulgaria. Insofar as the second payment area is concerned, we are in the initial bidding stages with potential Libyan and Iraqi clients. At the same time, we are endeavoring to carry out an active acquisitions policy on many foreign markets. Above all, we are taking advantage of Polimex-Cekop's intermediary services. As a rule, we respond to all foreign requests for bids.

[Question] What is the size of the workforce employed in the completion of foreign contracts?

[Answer] Currently we have 630 workers here, and 100 employed abroad on construction projects. In addition as a general contracting and construction firm we employ workers from other domestic manufacturing firms, selected on the basis of a competition to which a minimum of two to three firms are invited. We continually collaborate with enterprises which are subordinate to our Ministry of the Chemical and Light Industry. We belong to the Modernchem Association, whose members specialize in the construction and modernization of chemical plants, and therefore are our principal subcontractors on foreign projects. We plan to join the Chemakop Association. This brings the chemical apparatus manufacturers together and we are particularly interested in maintaining good relations with them.

Thank you for the interview.

Budimex Director

Warsaw RYNKI ZAGRANICZNE in Polish 8 Mar 83 p 8

[Interview with Michal Siera, director of Budimex, by Barbara Milewski]

[Question] It's a well-known fact that on 1 January 1983 Budimex was transformed into a partnership with limited responsibilities. Should this action be attributed exclusively to last year's recommendation made by the Council of Ministers Economic Committee?

[Answer] Not exclusively, the decision to establish a partnership was prejudged by our deepest convictions, since it is an organizational form which can only bring about advantages insofar as our export specialty is concerned. We also believe that this represents a path to future, consistent fulfillment of the economic reform premises, and independence from administrative type orders. Currently the firm's activities are determined by a board appointed on 28 December 1982 during the first general meeting of all the partners, specifically 36 specialized construction, installation, and assembly firms from the various regions of the country. I would like to emphasize here that by establishing a partnership we have acceded to the principle of not accepting intermediaries but exclusively firms of a purely manufacturing nature.

[Question] How does the function and position of your firm change with these new conditions?

[Answer] During its entire past existence, Budimex did not have much say concerning foreign construction projects. Budimex did not possess the manufacturing capabilities, it only served as a commercial agent collecting a commission. Currently we possess a solid production base of close participants representing a total of approximately 100,000 workers, 3,500 heavy construction units, and 4,000 transport units. In reality the industrial base upon which we [illegible] our activity is even broader, since some of the partners also represent their own associations. Budimex's financial position has also changed in principle. Until now we did not have sufficient funds at our disposal and were forced to negotiate bank loans. For example, I will mention that in 1981 interest on obtained credit totaled 67 percent of the aggregate factory expenses. We foresee that currently thanks to the 1,600,000,000 zlotys provided by our partners, we will be able to save on interest alone the sizable sum of [illegible],000 zlotys.

[Question] If I recollect correctly, according to press reports concerning the first general partnership meeting, over one-half of the shareholdings belong to the State Treasury which is represented by the Ministry of Foreign Trade.

[Answer] Yes, exactly 51 percent of the shareholdings of the [illegible] of [illegible] zlotys belong to it. In spite of this, [illegible] through a resolution whereby all [illegible] two-thirds majority. This signifies that the Ministry of Foreign Trade will not be able to force its views upon the partners against their wishes.

[Question] Thanks to the establishment of the partnership, perhaps an integration of the interests of both exporter and manufacturer will at last take place.

[Answer] Of course, up until now the manufacturers carrying out Budimex's foreign contracts were not interested in the rate of return on the contracts. Now, however, as partners they are eager to obtain profits from the invested capital, while at the same time they cannot be oblivious to Budimex's profits. [illegible] the unification of the interests of both parties [illegible] would be reflected in joint efforts aimed at increasing profit earning capacity, increasing work output and more efficient [illegible] of foreign currency.

[Question] [illegible] benefits, besides the profits mentioned by you, would the [illegible] receive? I am thinking here about the manufacturing enterprises.

[Answer] [illegible] all, they would have priority insofar as export projects were concerned. They would act as their own general contractors in the fulfillment of individual transactions. At the same time, we want to apply the principle of competition in granting projects. We will present the specific proposals to several of the partners, and will in turn select the best offer. [illegible] where there is no suitable contractor within the [illegible], we will [illegible]

ourselves to enterprises outside the consortium capable of fulfilling the specified project.

[Question] What ministries are Budimex's copartners located within?

[Answer] The enterprises belonging to the consortium are subordinate to four ministries, namely to the Ministry of Construction and Construction Materials Industry, Ministry of Mining and Power Industry, Ministry of the Chemical and Light Industry and the Ministry of Agriculture and Food Economy. In addition, the founding organs for several general construction firms are their corresponding provincial governors. The largest group of partners is subordinate to the minister of construction, as a result of which he has a representative on the consortium's board of directors. It is noteworthy to add that the chairman of the board is the director of the Trade Bank, and as such is neutral toward the ministries.

[Question] Could you summarize the company's 1982 accomplishments?

[Answer] It was not an easy year. We were limited by numerous external factors, such as the continuing unfavorable construction situation in the West, as well as the Iraqi-Irani war. In spite of this, we were able to fulfill our plan almost entirely with processing totaling 29,300,000,000 zlotys. Last year we placed great emphasis on increasing the profit margin of our various endeavors. The economic reform mechanism played a positive role in this. Workers realized that their salaries were linked with industrial output. In connection with this, we observed a more conscientious attitude toward collection of debts from clients, a shortened contract-fulfillment time and selection of suitable specialists for the foreign construction projects. As a result last year's profits were 150 percent above 1981 levels.

[Question] Are you undertaking efforts at market diversification and the methods of operation on such markets?

[Answer] We see certain ways of approaching the United Arab Emirates. Our business dealings with Algeria are growing. We are attempting to take a more active role in partnerships on Third World markets with western firms, specifically West German and French. We believe that great opportunity exists in development of parallel cooperative ties with our socialist partners.

[Question] Besides external factors, what in your opinion impedes Polish construction projects exports?

[Answer] In the majority of cases, the cause is incompetence, poor construction organization and continuous faulty motivational systems. Work abroad should be based on the piecework system, thus work output will be more efficient. In my opinion, entirely new and serious complications can arise with the growth of the number of licensed construction project contractors, frequently of analogous or similar specialization. Whereas, in the area of services, I view it as unfair and leading to mutual competition in foreign markets, and what is more important, competitive only insofar as cost is concerned. Ultimately it will be to Poland's detriment.

[Question] You are the deputy chairman of the Committee of Construction and Services Exporters, established last year to serve alongside the Polish Foreign Trade Ministry. One of the tasks of this body included the coordination of the activities of Polish construction exporters abroad.

[Answer] The committee for now is in the initial stages of activity, and it is difficult to predict it and to what degree it will keep pace with the specified tasks. One thing is certain and that is that the fulfillment of these tasks will not be simple.

[Question] I know, as I had the opportunity to sit in on one of the group's sessions. Thank you for the interview.

Torimex Director

Warsaw [illegible] in Polish 14 Mar [illegible]

[Interview with Antoni Urbanowski, director of Torimex, by Marek [illegible]]

> [Text] The size of our import is naturally influenced by our foreign trade, which despite relatively good results achieved last year still represents one of the economic sectors most affected by the [illegible] by our primary obligation to make partial re[illegible] our accrued debt. Because it was compelled [illegible] restriction on imports also encompassed the products destined for the market. Judging from the standpoint of the economy's [illegible]pabilities, this simply is a necessity, yet lo[illegible]ing at it from the public's perspective it is inexpedient.
>
> Besides is there a way to enrich the market without spending hard currency? The attempt to answer this question is precisely the principal topic of discussion in our interview with Antoni Urbanowski, director of one of the most atypical foreign trade enterprises--Torimex.

[Question] In what way is Torimex atypical?

[Answer] Until recently, Torimex was one of the foreign trade enterprises which was not subordinate to the Ministry of Foreign Trade, but to the Ministry of Domestic Trade and Services. Today this is not the case.

Also untrue is the premise which guided Torimex founders, that is that the enterprise was established to trade in market surpluses with trading partners from the socialist bloc, yet currently it is difficult to discuss any kind of market surplus. Instead our atypical character consists of the fact that together with the commercial sector and the manufacturers we seek those goods which will [illegible] a suitable foreign barter article, [illegible] for the

market or for production purposes, but at the same time exclusive of market goods.

[Question] But a number of other foreign trade enterprises also exist which also demonstrate market interests in connection with contract fulfillment.

[Answer] That's true. But putting aside the whole gamut of official specifics, they carry out market procurement through long-range contracts, our trade, while it also includes this element, is concerned with alleviating the supply shortages in our stores expeditiously. Secondly, our trade takes place principally on a noncurrency basis. In other words, it operates on a barter system.

[Question] This reminds one a little of a return to a medieval form of commerce?

[Answer] In any case, it represents an efficient method.

[Question] But does it?

[Answer] It is not my place to evaluate this, but generally speaking it appears to me that this type of trade creates totally new contract opportunties, and simultaneously creates a broad field for market opportunities.

[Question] Thus it appears that Torimex is fulfilling its tasks properly.

[Answer] In our opinion, yes. Of course, we have a wide margin of opportunities so that what we hope to do will be more effective.

[Question] In that case, what is the monetary value of our trade?

[Answer] Last year our trade totaled 12,000,000,000 zlotys, of which 4,500,000,000 zlotys accounted for exports and 7,000,000,000 for imports. This breakdown clearly indicates that we are concerned with market demands.

[Question] The breakdown at least at first glance indeed appears unmistakable. Yet when we wish to discuss the positive results of market actions, we must remember that the 7,000,000,000 zlotys constitutes a fraction of aggregate market deliveries. Thus it is not imposing when seen in this context.

[Answer] That's also true. Since I must defend myself, I will mention that in actuality Torimex not only increases the market availability of domestic products but, something which was already discussed, assists in supplementing the supply of certain mass consumption goods. At times this is very insignificant and inexpensive, and therefore we cannot attach much importance to the value of the deliveries.

[illegible], I [illegible] confirm the thesis that [illegible] fulfills only a fractional part of the market gap. This is neither our fault nor to our credit, since realistically such are the [illegible]'s capabilities.

[Question] Which can be utilized to a greater degree than they have been.

[Answer] Of course, if we were able to carry out deals within the framework of a strictly-defined monetary value, without obtaining permission and agreement each time from our superiors, then we believe that we would be able to fulfill our tasks more efficiently. The fact remains that coordination among different levels takes time, whereas in many cases commercial opportunities need to be taken advantage of immediately or never. As a result, at time very lucrative deals have fallen through.

[Question] We will return to this matter; first, however, I would like [illegible] specifics [illegible] activities.

[illegible] concerned with the [illegible] signed by the ministers of individual socialist nations. We also carry out an exchange of commodities with bordering nations. In sum, trade with the members of our bloc totals approximately two-thirds of our aggregate trade.

The remainder is constituted by compensatory deals and so-called [illegible] carried out with the trade organizations and [illegible] nations. These represent our greatest opportunities. In our dealings with the socialist nations, we are obligated to trade like goods, whereas in the case of hard currency markets the opportunities are vast. Thus for those goods made in Poland, we are able to import everything which we feel is most essential, granted of course that we can find such goods and receive approval.

[Question] Who are the principal partners?

[Answer] In the first payments area it is principally Hungary, the [illegible], Rumania, Czechoslovakia and the Soviet Union. Within the group of capitalist nations it includes West Germany, Austria, Holland and Great Britain. [illegible] naming the major trade partners, as we have many [illegible].

[Question] Last year imports were significantly higher than exports. What was [illegible] importing at the time?

[Answer] The major emphasis was on imports of clothing, footwear and [illegible], although a complete list would include hundreds of different items. In other words that which was and is most needed. In the case of footwear which is in short supply, we were able to increase domestic supplies so as to allow many consumers to satisfy their ration card needs. Lingerie and stockings were available in the clothing sector. While in the food sector, we were able to import large quantities of canned meats, fish, coffee, tea, pepper and numerous varieties of processed fruit.

[Question] In exchange for what?

[Answer] Here also the assortment range is important. It included electronics, especially household appliances (refrigerators, kitchenettes, etc.) and large exports of packing glass. We also exported large quantities of apples, and large shipments of frozen vegetables, moreover we are also selling many black and white television sets. The export of Polish vodka before the holidays enabled us to import quantities of wine and champagne.

[Question] Looking at this breakdown, one can reflect that Torimex enriches the market yet at the same time also deprives it of goods. In other words, you import goods in short supply and then exchange others which are in equally short supply.

[Answer] Still that is a characteristic of our trade, the barter of goods for other goods on a noncash basis. Such is the brutal truth. Although at this moment in fact they do not exist, I believe that the view that Torimex should trade exclusively in market surpluses is unjustified. Secondly, we try to sell to foreign contractors those goods which are not in demand domestically. For example--although it is not an isolated example--[plaster? word illegible].

[Question] There is yet another issue. Those Polish goods which are being bartered, are they in actuality in such demand that on the basis of quantity not cost they would be sufficient to cover both imports and exports?

[Answer] Well not always, and one can say that more often not. Above all, because of the quality of Polish goods, quantitative market deliveries may actually be lower than the market demand. But such is the consequence of ignoring the quality of production during a crisis.

[Question] Although I am not making a negative evaluation, I believe that there must be some changes in the Torimex barter system.

[Answer] I share the same opinion, though my thoughts concern not only our firm, but the entire foreign trade sector.

I believe that the competitive factor which was to serve as the driving force behind our foreign trade is being restricted under the new model. Unfortunately, everything reverts back to the old formula. In addition we are slowly moving from a command distribution system to an administrative model, which is equally and perhaps even more dangerous. At the same time I believe that the same principle which is obligatory legally should hold for trade, specifically that if regulations do not forbid something then it can be done.

[Question] Will that suffice?

[Answer] Not entirely, but it serves as a base. Real prospects for a better and truly more effective foreign trade mechanism exist through consistent systemic solutions, along with truly independent enterprises and central firms, and with decentralization of authority which would have greater impact upon every sector. This is also applicable to Torimex.

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BALANCING ENTERPRISE AUTONOMY, NATIONAL PLANNING PRIORITIES DISCUSSED

Warsaw PRAWO I ZYCIE in Polish No 10, 5 Mar 83 pp 3,4

[Article by Krzysztof Krauss: "A Good Economy Is Not the Sum Total of Good Enterprises"]

[Text] We have already embarked upon the second year of the greatest changes in management and national economy steering principles for some forty years. The authors of "Directions of the Economic Reform" ratified by the 9th Party Congress, have written about these changes the following: "Our projected system rejects both the thesis that the market is only a regulator of the economy, and the previously occurring dominance of the central ruling apparatus in regard to the enterprises which have been deprived of their autonomy. The economy will be functioning on the principles of central planning utilizing market mechanisms."

To what extent is this promise being realized in the circumstances of 1983? These circumstances are such that almost all the main legal acts which make up the legislative structure of the reformed management system have become formally binding, and the remaining acts are already in their final working stage, while the economy continues to be burdened by the results of a long-term crisis and is still far from "normal."

The Council of Ministers' 16 November 1982 resolution on the Central Annual Plan for 1983 is a kind of "litmus test" for the above legal acts; and so is the December budget law for 1983.

The ambiguity of this situation is reflected by the very manner in which the 1983 plan is being worked out. In accordance with the principles a clear division in the central planning was to take place, distinguishing strategic and operational planning.

Strategic and Operational

The long range plans which span periods of 10-15 years are to function as the signposts of our country's economic strategy. The resulting five-year socio-economic national plans ratified by the Sejm are also to function as such signposts. The central annual plans are to function as the operational plans. These are ratified by the government; they spell out the goals and

result from the Sejm law on the five-year plan. The yearly plans are not to simply come through as an "itemization" of the provisions of the long-range plan. They are the responsibility of the government. They ought to consider also the changes that occur in the internal and external development conditions, when spelling out the individual tasks, while they must not alter the general directions and goals of the long-range plan. Only the Sejm is authorized to make any revisions that might be needed in such cases.

The Sejm keeps a systematic watch over the fulfillment of the country's central economic strategy. At the same time, the Sejm does not supplant the government in its operational planning, nor does it limit the government's autonomy in that respect. The Annual budget debate, among other things, serves as such a control mechanism. The draft budget is prepared by the government but it is ratified by the Sejm. The budget is not a plan, however, it is closely tied to it and results from it.

Looking at things in a strictly formal sense, the reform objectives involving the revamping of the central economic planning system were not fulfilled this year either. The government assumed responsibility for the operational decisions, in [illegible] with the new law on planning. The government has independently worked out the 1983 central plan and it only informed the Sejm about this plan. However, as it was a year ago, the long-range planning directives established by the Sejm, and obligatory to the administration, continue to be lacking. There is simply no central strategic plan. We can say, thus, that both last year and this year, we have not only not come nearer to the "socialization" of central planning, which is a provision of the economic reform and one of its key objectives, but rather, we have retreated in this respect. Formerly the Sejm ratified the annual plans as well; thus, at least in theory, it had both the possibilities to supervise and to make direct decision on the country's current economic policy.

In Consultation With the Public

In reality, however, a fundamental and deep change took place between 1982 and this year's situation. It is true, this change does not signify a full realization of the premises of the reform, but it is closer to these premises. Just a year ago there was even no introductory sketch of long-range economic reform beyond the very general directives that came out of the 9th Party Congress decisions. As a matter of fact, there was really no annual plan. At first, the quarterly plans fulfilled that role, then the [illegible] did that. For a long time there was no budget law either, but only [illegible] provisional budget laws.

There was no such budget, nor could there be either, during the entire preceding year. That is, during 1982, a total economic [illegible] was taking place. The martial law which was announced [illegible] was attempting to take hold of the chaos which had been caused [illegible] the weakened [illegible] of authorities and which [illegible] decisions made by the central authorities. It was difficult, however, to predict how far the martial law had been continued in the country, what effect it would have on the direction of the [illegible] of changes.

This realization was made more difficult by the fact that the opposition did not capitulate, and would do everything within its power to obstruct the resolution of the crisis. Moreover, a new factor has emerged. It came in the form of the U.S.A. administration's and the allied NATO nations' economic restrictions. These intensified our existing economic tensions.

On the one hand, time was needed to realistically identify the possibilities created by the country's authorities associating the disciplinary moves with the early elements of the new economic mechanisms which placed their hopes on independence and on the self-financing possibilities of the enterprises. On the other hand, the ability [illegible] to re-orient Poland's international economic links, in the face of credit sanctions, that were thwarting our exports and imports, and were imposed by the highly developed capitalist countries.

In the middle of 1982, following the gradual halt put to the drop of production, productivity, etc., and following the process of regaining of the country's economic control, it became possible to work out the [illegible] preliminary premises for the three-year plan for 1983-1985. These were in preparation [illegible] the plan's draft versions, but they were merely the principal conceptual premises. The effort was centered, above all, on working out, at first, the principles of the economic policy in conformity with wide circles of our society. After all, these principles are to serve the current planning.

The present-day situation is well-known. The Sejm [illegible] has taken up a parliamentary debate of the specific draft of the socio-economic plan for 1983-1985 drawn in detail, although the work on it still continues. Basing their statement on the results of consultations with our society and on the opinions voiced by the experts, the Sejm has made only a statement concerning the fundamental purposes to which this plan is to be subject. These social consultations and the expert opinions have been generalized in the policy ratified by the Tenth Plenary Session, PZPR Central Committee. This means, we are no longer working in a "planning vacuum," but rather within a specific, quite definable framework. The rank of these purposes is all the more important, because they enjoy the backing of the Sejm and, what is more important, in view of the consensus resulting out of the many-month-long, organized [illegible] discussions. The government has to take these purposes under consideration and to refer to these discussions in their decisions on the 1983 annual Central Plan (CPR).

Due to lack of favorable circumstances, this resolution has not yet been [illegible] and the government [illegible] Poland's newly legislated [illegible] annual central operational planning [illegible] strategic planning designated for the exclusive decision of the Sejm. However, operational planning no longer takes place in "no man's land." The government resolution concerning the 1983 plan is based on the strategic concepts. It must have expressed these as a result of working them out in discussions with our society. In its decision on our country's 1983 budget, the Sejm has a full possibility to express its position in relationship to the principal directions of this year's economic policy that have been given to the government. The premises have already [illegible] the realization of successive steps of economic

reform in 1981 the annual plan worked out by the government could result directly from Sejm discussions, being binding on the government and concerning the long-range national socio-economic plans. As is to be expected, the full cycle of work on the country's strategic plan will have been completed by 1985.

No Directives

A clear division between the levels of the central and the enterprise as well as other economic organizations' planning was to serve as another distinguishing feature of the planning principles under the economic reform. The law on socio-economic planning, in force since 1 August 1982, states that: "the enterprises and other units of the socialized economy draft their plans independently and in accordancw with their own needs, appropriately considering the principles defined in the law on the government enterprises and in the law on the cooperatives and their unions...."

This law represents an essential change in relationship to the past. Formerly, the directives concerning the plan for the whole national economy have been formed at the central level, by the Planning Commission affiliated with the Council of Ministers. The definition of "national economy" was understood as inclusive of the individual enterprises. It is in the Planning Commission that the detailed "division" into economic-type ministries took place; such a division encompassed all the most important elements of the future directives' plan. The ministries in turn shared their directives among the associations and the associations "shared" them with the enterprises. Based on the received directives, enterprises undertook the first try of formulating their own production goals. They either accepted the directives as received, or they proposed a modification of these directives. Generally speaking, in practice they demanded the lowering of directives concerning their obligatory tasks and the above directives, concerning the means these enterprises were to receive for the purpose of realizing their goals. Their own remarks concerning the directives, and their actual enterprise plans were passed on to the associations which passed these to the economic-type ministries, and the ministries passed them on to the Planning Commission at the Council of Ministers. At that level the original premises of the plan were then confronted with the sum total of the plans proposed by the associations, while their plans were derived out of the enterprises' plans. There were continuous discussions and bids which usually ended in the government, and finally the Sejm-ratified directives of the national socio-economic plan which then became binding.

As soon as the Sejm ratified the directives for the plan, they began their pilgrimage "downwards". Naturally, they were then considered the obligatory directives for the ministries, associations and enterprises alike. They were connected with the appropriate system of controls and the evaluation of the [illegible] directives, and with rewards for the fulfillment of the assigned tasks as well as sanctions for all instances of a deviation from these directives. The merits of this method of plan-building, called the "wandering shuttle method," lied in the uniformity of the planning documents and in the total organizational structure of the national economy. At [illegible]

administrative level, the plans were written in detail for the same periods. These plans consisted of the same substantive elements, in theory adding up to an even balance, however, in practice, they might differ both "vertically" and "horizontally."

An essential weakness of this planning methodology was the fact that the enterprises and other manufacturing organizations have been relegated to the passive role of "consumer" of the decisions which have been made without their [illegible]. This passive role was imposed on them already during the plan directives preparation stage as well as at the time of plan fulfillment. Such a situation presented neither the conditions nor the motivation for the enterprises to step forward with their own constructive initiatives, to optimize their own activity. The enterprise costs were growing, effectiveness of the total utilization of productive factors such as work, raw goods and fixed assets, was decreasing. The [illegible] of the enterprise decisions on the matters concerning their own plans cannot be tantamount to the separation of these plans from the totality of our country's socio-economic [illegible] in the central long-range and annual plans. The government authorities elected by society are responsible to this society for the development of the economy in accordance with the social expectations, they are responsible for steering economic services toward fulfilling the most pressing and important needs. Likewise, the state, or strictly speaking, its representative authorities, cannot deny the real and effective influence they ought to exert on the economy of the independent enterprises. [illegible] does not necessarily follow that "good" management is a simple sum of all the "good" enterprises.

The enterprises must function to the maximum of their effectiveness. [illegible] this cannot be some general effectiveness. It must be subordinated to the strategic aims of our country's policy and to the self-aware priorities established by our state. We must, therefore, create such subtle yet, at the same time, strict principles of action which will secure an organic unity of the autonomy and socio-economic policy of the state, subordinating it strictly to this policy. Such principles must not deprive the enterprises and the other economic organizations of their autonomy. They must [illegible] individual entrepreneurship and [illegible] to the principles of cost effectiveness on a [illegible] basis will [illegible].

[illegible]
[illegible]

MINISTER DISCUSSES TRANSPORTATION, TELECOMMUNICATIONS

Major Projects Viewed

Bucharest SCINTEIA in Romanian 3 Mar 83 pp 1, 3

[Interview with Vasile Bulucea, minister of transportation and telecommunications by Anica Florescu]

[Text] [Question] To begin with Mr Minister, could you please say a few words about activities in transportation and telecommunications during the expired period of the current five-year plan, and about the requirements for 1983, in the light of the decisions of the National Conference of the Party.

[Answer] The balance sheet in transportation and telecommunications from the beginning of the current five-year plan to the present can be considered as positive, with significant achievements in the overall performance of the national economy. The report presented by the secretary general of the party, Nicolae Ceausescu, at the National Party Conference, as well as the other documents of the high communist forum, have established the major coordinates that transportation and telecommunications must follow to steadfastly fulfill the objectives and tasks outlined by the 12th Party Congress. The essential characteristics of this period--quality and efficiency--have focused our attention on optimizing transportation and intensively using available means of transportation and telecommunications, so as to obtain higher yields with lower costs, a more judicious distribution of tasks among means of transportation as a function of specific consumptions, and domestic production of a large number of imported parts, by recycling and rebuilding many parts and subassemblies, with a consequent reduction in the nation's currency effort.

In keeping with the growing requirements of the national economy, the volume of goods transported on railways--the major means of domestic transportation--during 1983, will increase by 6.8 percent with respect to 1982, while river transportation will grow by more than 26 percent. For the commercial maritime fleet, we are acting energetically to fulfill in an exemplary manner the tasks outlined by the secretary general of the party,

regarding its greater contribution to seagoing export-import traffic. As a result, the volume of goods carried by our maritime fleet in 1983 will increase by more than 23 percent with respect to 1982, compelling us to seriously mobilize technical-material and human resources and improve the organization of ship utilization.

The 1982 volume of mail and telecommunication services increased by 6.2 percent over the previous year, mainly through a better utilization of available capabilities, and through the connection of new localities to the automatic interurban network, among which Vinju Mare, Caracal, Plopeni, Valenii de Munte, Carei, Vatra Dornei, Dragasani, Videle, and Dumbraveni. This year, in the light of a greater need to save raw and other materials, the efforts of our mail and telecommunication specialists are concentrated on formulating approaches that use little amounts of fuel in collecting and distributing the mail, and on providing telephone and telegraph connections with a better utilization of cable networks, thereby saving significant quantities of copper and lead.

In passenger transportation, we will continue to stress improved comfort and regular scheduling of trains and buses, through better management of available equipment, by completing and expanding the network of stations, and through technical maintenance and cleaning of means of transportation.

[Question] Very many people consider two objectives of national interest with justifiable patriotic pride; these are the Danube-Black Sea Canal, and the Bucharest subway. What new features will 1983 bring to these projects, and more importantly, what efforts do they require?

[Answer] This year is particularly significant for builders at the large national site between Cernavoda and Constanta-South; they will open the way for navigation between the Danube and the Black Sea on schedule, thus fulfilling the task drawn by the party leadership and personally by Nicolae Ceausescu, initiator and founder of our country's largest investment objective. Assigning priority to work which determines the exploitation of the canal, 43 million cubic meters of earth will be excavated by the time the canal is opened to navigation, representing 18.9 percent of the total volume of excavation over its entire length of 64.2 km. During this year, we will erect [illegible] cubic meters of concrete support walls, pour [illegible],000 cubic meters of concrete in the Cernavoda and Agigea locks, place in operation the last four railway and highway bridges of the eight planned for the canal, build a complex pumping station, lay two railway spurs of about 6 km each, and so on. It should be pointed out that 98 percent of the excavation and concrete work is mechanized, and that similar or lesser magnitude work in other parts of the world has required decades, while we are building this national objective in just a few years, at the highest possible level of performance, functionality, and efficiency.

For the subway, we are currently [illegible] km from the Semanatoarea-Republica line with 12 stations and [illegible], with an average traffic of 150,000 to [illegible] passengers per day, and with [illegible] comfort, and reliability. During

1983 we will extend the subway over a third trunk line, Eroilor-Industriilor (Militari); this means another 7.7 km with four stations, a new depot, as well as a rolling stock repair plant and installations at the Militari complex. The extension of the subway network during this year will bring the average traffic to about 200,000 to 250,000 passengers per day.

[Question] What other large investment objectives are on the agenda for this year in transportation and telecommunications, and what concrete actions are being taken to meet the dates planned for their operation?

[Answer] The 1983 investment plan of the Ministry of Transportation and Telecommunications contains priority objectives for the economy. We will for instance electrify 69.3 km of double railway track, and 38.2 km of single track, between Dej-Apahida-Cluj-Napoca and Simeria-Hunedoara, as well as double some of the track between Mintia-Ilia-Arad. We are executing projects aimed at fulfilling the task drawn by the secretary general of the party to assure the country's energy independence, projects which will provide transportation for the coal produced in coal basins; these will be a new railway from Babeni to Berbesti (34.7 m), a new railway from Carbunesti to Albesti (11.4 km), and railway work in the Valea Jiului coal basin.

We are also working on the Danube bridges scheduled for opening in 1984. The technical and organizational measures that we have taken, and the timely delivery of supplies to work sites will assure that schedules will be met.

[Question] What can you tell us about the introduction of new features and the modernization of the technical-material base in transportation during 1983?

[Answer] The consistent encouragement of technical progress is one of the major concerns of our ministry, of research and design institutes, and in general of all our units which operate on the basis of concrete programs, discussed and approved by the ministry's management council. Particular attention is being devoted to the mechanization and automation of transportation and telecommunication processes, as well as to the extension of computers to the direct management of activities. Notable among the most important results are: the first large tonnage (over 4000 tons) trains for transporting ores, consisting of special cars equipped with automatic couplers; complete mechanization and automation of the Videle switchyard using a process computer; construction of an electronic telephone concentrator, which will connect a larger number of subscribers to the same network (and therefore use the network more intensively); fabrication of a completely mechanized shield for boring railway tunnels; use of large capacity containers (40 feet with a payload of 30 tons); and so on.

[Question] There is one question that we cannot avoid asking, given that transportation and telecommunications use large amounts of fuel and energy. Have you perfected a strategy for economizing and reducing consumption, and for eliminating waste? What is it?

[Answer] I don't think you exagerate when you speak of a strategy for saving fuel and energy, since the problem is extremely complex and requires a systematic treatment. We have an overall point of view for the rational use of energy, embodied in a five-year plan and detailed by sector of activity, centrals, and enterprises, which in turn, pinpoint consumption at subunits and work stations.

Among the overall measures are the rational distribution of tasks among various transportation systems, taking into account the fact that automobile transportation requires much larger specific consumptions than railway and river traffic; orienting and optimizing the traffic of goods; avoiding empty runs; loading transportation resources to their full capacity; and so on. In the railway sector, we are acting to increase the tonnage of freight trains, reduce transportation distances, reduce isolated locomotive runs, reduce stoppages at signals through better traffic organization and [illegible], rationalize the movement of empty cars, and so on.

[illegible], in the naval sector, we are acting to load seagoing vessels to their full capacity, form optimum convoys for pushing or towing capabilities in river traffic, shorten the distances travelled by ships by determining optimum routes in ocean crossings, intensify the cleaning of underwater structures to reduce resistance, and so on.

In automotive transportation, we [illegible] trailers and extend the use of double trailers, monitor and assure optimum functioning of carburetion, organize the parking of vehicles near work areas, rationalize bus routes, and so on.

[Question] It has become customary to compare the results obtained by our country in various sectors of the economy, to global requirements in the same matter; since we are discussing energy and fuel consumptions, let us try to compare them with those of some economically developed countries.

[Answer] Comparisons with other countries must be made carefully, because specific consumptions in transportation depend to a large extent on [illegible] the actual figures published in [illegible] that railway diesel consumption in Romania is comparable to that achieved by European railways with a high level of technology, and that in the area of electric-powered trains we stand in a good position with respect to the European average. In automotive transportation, our consumptions are practically identical to those abroad, since the engines manufactured in Romania are equally as efficient. Despite the above, we believe that large reserves still exist in the rational utilization of energy and fuel, and we are consequently acting [illegible] the measures which I have mentioned, combining the concern for assuring proper technical conditions for transportation, with the concern for a rational utilization of means of transportation.

[Question] It is known that a large proportion of material costs in transportation is devoted to spare parts. What is being done to reduce expenses in this area?

[Answer] Supply of needed spare parts and reduction of expenses for them, are indeed major problems in assuring the steady operation of means of transportation and telecommunications, and in increasing economic efficiency. The value of rebuilt spare parts was 2.4 billion lei in 1982, and will be nearly 3 billion during this year. At the same time, we are striving to manufacture in Romania parts that would otherwise be imported, so as to reduce the country's currency effort.

[Question] What new features can you offer to travellers during 1983?

[Answer] Comfort will continue to improve, both by improving the technical condition and cleanliness of trains, vehicles, and ships, and through new equipment consisting of modern vehicles which are more comfortable. Railways will thus be supplied with another 340 well equipped cars, that have fluorescent lighting, are heated and ventilated with forced air, have hot water sinks in winter, are suspended more efficiently with hydraulic shocks, and have better thermal and sound insulation; automotive transportation will increasingly be equipped with articulated buses which will also have better technical peformance and comfort.

In 1983, we will continue the mechanization of passenger train and bus preparation, by expanding the network of washing stations. We will also improve specifications for the technical preparation of cars, and carry out a sustained effort for stronger order and discipline, and for improving the attitude of personnel toward train and bus passengers, areas in which the 1982 activity did not meet the level of demand.

[Question] But trains are still late, Mr Minister. Will there be more or fewer delays in 1983?

[Answer] Some delays are due to objective situations such as operational line interventions, dense fog, and so on. But I want to primarily address our own shortcomings, which still exist, and whose elimination we shall firmly pursue. This entails improved traffic monitoring withing railway sectors and traffic regulators, rigorous compliance with schedules for track maintenance and repair, proper operation of signaling and reporting installations, appropriate maintenance and repair of locomotives and cars in order to avoid breakdowns, and sustained order and discipline among the personnel which participates in forming and conducting trains. The application of these measures will assure greater train traffic reliability.

[Question] What can you add in conclusion to our conversation?

[Answer] I want to stress that the fulfillment of the tasks outlined by the National Party Conference are a constant concern of our units' collective managements, of each worker in transportation and telecommunications, with the goal of finding new ways to intensively and most efficiently use available equipment, and continue to reduce all material consumptions, with particular attention to fuel and electricity, in order to achieve a new, superior quality in all sectors of activity.

Development Strategy Analyzed

Bucharest REVISTA ECONOMICA in Romanian No 9, 4 Mar 83 pp 2-3

[Article by Vasile Bulucea, minister of transportation and telecommunications]

[Text] The orientations and ideas of highly theoretical value and practical [illegible] included in the documents of the National Party Conference, form a vast and mobilizing action program, a clear, scientifically founded perspective for the country's socioeconomic development, and for the achievement of a new quality of labor and life in all areas of activity. The development of this branch has sought and continues to seek the most direct achievement of the assigned task, namely, to increase the proportion of transportation on water and railways, which are better than automotive means in terms of production costs and fuel and energy consumptions. [illegible] the volume of goods transported by every means of transportation (rail, auto, river, and maritime) in 1982 increased by 9.3 percent over 1979, river transportation increased by 47.7 percent and maritime transportation by 33.1 percent.

As a result of the measures taken in recent years, and especially during 1982, conditions were created for starting the 1983 activities under good auspices. The overall transportation plan for January was fulfilled in its entirety, and the overall plan for February was surpassed by 1.7 percent, with river transportation contributing an excess of 4.5 percent. In industrial activities specific to transportation and telecommunications, the production of goods saw a surplus of 1.2 percent and net production [illegible] [illegible] obtained in the execution of investments, with an excess of 3.7 percent in constructions and installations.

Optimizing Traffic and Reducing Distances Travelled

The transportation structure has undergone the changes necessary to fulfill the programs approved by the party for increasing the domestic basis of raw materials and fuel. In this respect, it should be noted that last year, compared to 1981, an additional volume of more than 21 million tons was transported by railway and automotive means. At the same time, the volume of bulk products transported with general automotive resources dropped by over 11 percent. The direct result of supply decentralization and optimized domestic transportation traffic has been a reduction in transportation distances and the distances covered by products (table 1).

Table 1. Volume of transported freight, of transportation distances, and of distance covered by freight in domestic transportation. 1979=100%

	1980	1981	1982
Volume of transported freight (rail, auto, and river)	105.2	105.8	[illegible]
Transportation distance (all means of rail, auto, and river transportation)	94.9	94.2	87.1
Rail	98.9	99.1	94.4
Auto	94.9	94.5	85.4
River	75.8	69.8	70.5
Distance covered by freight (all means of rail, auto, and river transportation)	100.0	99.8	94.5
Rail	99.3	99.0	93.5
Auto	102.6	102.4	97.3
River	107.6	111.8	116.4

It should be noted that although the distances over which products were moved by river transportation in 1982, increased by 16.4 percent with respect to 1979, the distance for domestic transportation decreased (94.5 percent) due to reductions in railway transportation, which plays a significant role in the total domestic transportation picture (83.9 percent in 1982), as well as in automotive transportation. In maritime transportation, 22 percent more goods were moved last year than in 1979, and the transportation distance was reduced by 8.8 percent (corresponding to changes in the transportation of foreign trade products) and to a 33.1 percent increase in the volume of transported goods.

The distance over which passengers were transported by railway and automotive means increased by 7.6 percent in 1982, primarily in railway transportation (12 percent), as a result of measures taken to reduce automotive traffic on routes paralleling railways. Similarly, as part of the self-supply actions for counties, some inter-county bus routes were cancelled, leaving only those which carry commuting personnel, primarily in industrial localities and areas.

The increases in transportation volume were achieved especially through better utilization of available capabilities. Compared to 1979, large increases in utilization indicators were achieved in 1982: the usage of freight cars went up by 11 percent; the utilization per ton of capacity in the inventory of self-propelled river boats has increased by 16.6 percent, and by 16.0 percent for seagoing ships; and the usage of bus seats has grown by 7.4 percent.

Particular attention was and continues to be devoted to the repair of transportation resources, with good results being achieved in the preparation of freight cars, locomotives, and automotive vehicles. In the industry devoted to the repair of railway, automotive, and river transportation

[illegible], and [illegible] products needed to maintain railways and roads, production was surpassed by [illegible] percent. With reduced production costs, higher labor [illegible] in all sectors of activity, as well as economies [illegible].

Despite this, and despite measures taken to improve maintenance and cleaning, some shortcomings occurred during 1982 in the preparation of passenger trains and buses. We believe that better results could be obtained in this respect if the activity [illegible] transportation workers were to receive more support from [illegible] both the condition of means of transportation and [illegible] for paying fares.

New, Qualitative Orientations

The measures taken during the years that followed the 12th Party [illegible] to improve the efficiency of transportation [illegible] use available means, and [illegible] measures [illegible] by the [illegible] taken by the recent National Conference of the Party and by [illegible] provided by [illegible] Ceausescu, have been the starting point for establishing the plan tasks for 1983. These concerns also resulted in a better coverage of the 1983 production and services with contracts. Thus, the [illegible] task is fully contracted for railway and automotive transportation, [illegible] percent contracted [illegible] percent [illegible] of [illegible] projects are covered by execution documents. [illegible] calculated for the full year plan, the first quarter is practically entirely covered with contracts and execution documents.

At the same time, the established measures have also been aimed at new orientations to improve the quality and efficiency of transportation activities. For instance, [illegible] continues to be assigned to river and railway transportation for freight, while the automotive transportation of freight and passengers will be limited to strictly necessary situations. Compared to last year's achievements, the 1983 plan provisions have changed as shown in table 2. The [illegible] of automotive transportation [illegible] railway [illegible] roads for [illegible]. [illegible] implies an improvement in the efficiency of railway [illegible] through faster car loading and unloading, faster [illegible] in switchyards and shops, so that users will be assigned [illegible]. At the same time, it is necessary that transportation [illegible] and especially [illegible] and enterprises take decisive action to ensure efficient facilities for loading and unloading freight cars [illegible] schedules.

In increasing the efficiency of transportation, a particular problem arises in the application of modern loading and unloading techniques [illegible], palletization, and containerization. In this respect, the railway sector has taken measures at the [illegible] [illegible] receiving and [illegible]

Table 2. 1983 plan tasks with respect to 1982 achievements in freight transportation. 1982=100%

Sector	Freight	Passenger
Railway	106.8	[illegible]
River	126.7	--
Maritime	123.6	--
Automotive	84.7	82.8

In parallel, the transportation structure is devoting particular attention to foreign trade goods, those intended as supplies for the population, as well as to coal, ores, and other industrial raw materials. Similarly, industrial production is placing greater stress on the repair of rolling stock, motor vehicles, and river boats, particularly through faster repairs resulting from higher labor productivity and strict compliance with planned costs. In January for instance, per 1000 lei of produced goods, we met 99.9 percent of the total costs and 99.8 percent of the material costs, while labor productivity was exceeded by 1.2 percent.

A special problem in 1983 is to achieve greater savings of fuels and energy. We might indicate that the consumption quotas established by the plan for this year are 11 percent lower than those of 1982. At the same time substantial improvements are stipulated for the utilization indicators of transportation resources, tooling, and installations. During the first two months of this year, our units met the plan tasks in the consumption of diesel fuel while saving 0.2 percent in electric power in railway transportation. The continued economy of energy resources is a primary concern for all the workers collectives in transportation and telecommunications. Research specialists have analyzed and established new criteria for distributing transportation requirements among categories of transportation, as well as for optimizing traffic by continuing to reduce fuel and energy consumptions. Analysis agencies are currently finalizing application instructions, and it is expected that the new criteria will be effectively implemented during the second half of this year.

Priority Action Programs

In order to fulfill these tasks, transportation units have formulated beginning in the fourth quarter of last year, special programs aimed primarily at introducing new ideas, mechanizing the technical and material basis, and strengthening order and discipline in transportation. Foremost among these are the increased tonnage of freight trains, with positive effects both on the efficient use of locomotives and freight cars, and on lower consumptions of fuels and energy. At the beginning of the year, we introduced the first two high tonnage trains ([illegible] tons) for ores. Similarly, we launched the first Ro-Ro seagoing ship which horizontally loads trailers or motor vehicles.

To further reduce [illegible] and energy consumptions, other technical and organizational measures have been established, some of which are now being applied; they are: [illegible] of freight train transportation categories based on criteria established for minimum fuel consumption; loading freight cars, trucks and ships to their full capacity, and avoiding empty trips; increasing the proportion of electric-powered freight trains, and selecting the most favorable routes from the energy standpoint; increasing the average tonnage of freight trains by 5 percent; reducing the number of switching locomotives by increasing convoy tonnages; expanding the use of trailers in automotive transportation; improving the motor vehicle dispatch system so as to assure "full-full" traffic; conducting naval transportation at optimum running speeds and with minimum consumptions; forming river convoys in sizes appropriate for maximum utilization of pushing or towing capabilities; industrial scale introduction of underwater cleaning of hulls, so as to reduce water resistance; and expanding technologies for rebuilding spare parts, thereby increasing their 1983 volume by 12 percent over last year, saving significant quantities of metal, and reducing repair costs by [illegible] percent.

The daily transportation activities, and the actions undertaken by workers' collectives in this branch, will disclose other ways and means for action in order to achieve this year's plan and the five-year plan provisions, and to improve quality and economic efficiency in transportation. Aware of the large tasks that we have been assigned, we will act in the coming period to provide all the conditions necessary for scheduled, effective, and efficient transportation, in accordance with the increasingly diversified requirements of domestic users--economic units and the population--as well as those of foreign customers.

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CSO: 2700/146

CHANGES IN LABOR FORCE, PRODUCTIVITY INCREASE TRACED

Bucharest REVISTA ECONOMICA in Romanian No 10, 11 Mar 83 pp 18-19, [illegible]

[Article by Dr Gheorghe Raboaca: "Economic Structure--A Basic Factor in Rational Utilization of the Labor Force," a report presented at the scientific session of the Institute for Socialist Economics on the subject of "Improvement in Economic Structures"]

[Text] In the context of modern economic growth and of efforts to continually raise the degree of utilization of national resources, a central place is held by the rational and efficient use of labor resources. Referring to this major goal of the previous five-year plan, Comrade Nicolae Ceausescu points out that it is necessary to provide for "improvement in the national economic structure in step with the demands of the scientific-technical revolution and in accordance with the requirements of the international division of labor and utilization of Romania's material and human resources at a high level, raising the degree of technical nature of all production, improving the manufacturing technologies in all economic branches and increasing the profitability of production and of all economic activity."*

The special interest in the rational and efficient use of the labor force in the policy of economic development and growth is a foregone conclusion if we take into account that the labor force is the main production force of society, a basic component in the national wealth.

World experience, among other truths, allows us to [illegible] that the stage of economic and social development in each country [illegible] with the degree of utilization of labor resources, with [illegible] development and with utilization of the creative human potential [illegible].

The degree to which each country's stock of time [illegible] is [illegible] general criterion of rational and efficient use of the labor force. [illegible] today, more than ever before, the saving of working time is [illegible] without the [illegible] and as full as possible [illegible] of the [illegible] the scientific-technical revolution, the efficient use of the labor force [illegible] on broad [illegible], all-encompassing, [illegible]

* Nicolae Ceausescu, "Romania on the Road [illegible] Socialist Society," Volume 19, Bucharest, [illegible]

[illegible] development [illegible] [illegible]

[illegible] at the same time [illegible] in the [illegible] civilization, [illegible] development [illegible]

[illegible] development and organization.

[illegible] structure [illegible] in the [illegible]

[illegible] the structure of [illegible] in the structure [illegible]

[illegible]

[illegible] production at a [illegible] level [illegible] for better utilization of the [illegible] possibilities [illegible]. The current stage of industrialization and modernization [illegible] of our national economy plays an important role in increasing the [illegible] and efficient use of the labor force.

The rise in the [illegible] of national use of the [illegible] of the [illegible] modernization of the structure of the national economy [illegible] more generally from the relationship between the [illegible] creation of the national income and its percentage of the employed [illegible] (Table [illegible]).

Table [illegible]. [illegible] of the National Income [illegible] Main Branches of the National Economy, [illegible]

		[illegible]	[illegible]	[illegible]
Industry	National income	[illegible]	48.8	[illegible]
	Employed population	[illegible]	29.2	[illegible]
	National income/employed population	[illegible]	[illegible]	[illegible]
Construction	National income	[illegible]	[illegible]	[illegible]
	Employed population	[illegible]	[illegible]	[illegible]
	National income/employed population	[illegible]	[illegible]	[illegible]
Agriculture	National income	[illegible]	[illegible]	[illegible]
	Employed population	[illegible]	[illegible]	[illegible]
	National income/employed population	[illegible]	[illegible]	[illegible]
Transportation and telecommunications (net)	National income	[illegible]	[illegible]	
	Employed population	[illegible]	[illegible]	[illegible]
	National income/employed population	[illegible]	1.78	[illegible]

Calculated [illegible] of data from the [illegible] Yearbook of the [illegible], [illegible].

[illegible] of these indicators of efficiency [illegible] industry, construction [illegible] transportation and telecommunications [illegible] economic growth in the period [illegible]. [illegible] modernization of the national economic structure [illegible].

[illegible] national income and [illegible] labor force [illegible].

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

building the structure of our economy and modernizing it, superior opportunities have existed and do exist for increasing productivity and economic efficiency, which have been utilized inusfficiently.

Evaluation of the special results obtained in construction and modernization of the structure of the Romanian economy, trends and directions of orientation of the national efforts with a view to intensifying the degree of use of labor resources may be brought out better if we compare Romania with countries in various stages of development and modernization of the economy (Table 3).

Table 3: Correlation Between Percentage of Three Sectors in Gross Industrial Product and Their Percentage in Employed Population by Groups of Countries With Different Per Capita Gross National Product in 1980

Group of Countries	GNP Per Capita in 1980 (dollars)	% in employed population			% in Gross Industrial Product			Efficiency ratio between % of branches in gross Industrial Product and % in employed population		
		Agriculture	Industry	Services	Agriculture	Industry	Services	Agriculture	Industry	Services
Countries with low income (33)	$ 260	70	15	15	36	35	29	.5	2.3	1.9
Countries with antermediate income (63)	1, 400	44	22	34	15	40	45	.3	1.8	1.3
Romania	2,340	29	36	35	11	64	25	.4	1.8	.7
Industrial countries with planned economy*(6)	4,640	16	45	39	15	63	22	.9	1.4	.6
Industrial countries with market economy (19)	10,230	6	38	56	4	37	59	.7	1.0	1.1

* Bulgaria, Czechoslovakia, GDR, Poland, USSR and Hungary.
** Transportation, circulation of goods, education, culture, health protection.

Source: Calculated on basis of data in "Rapport sur le Developpement dans le monde," 1982.

In the four groups of countries, Romania has an intermediate situation according to all the indicators examined; overall, Romania has come along an important road in creating and modernizing its economic structure and in the efficient use of the labor force, placed at a more advanced stage compared with the first two groups of countries (96). In relationship with the other countries, Romania must further continue its effort at modernizing its structures and making them more efficient, as also provided in the documents of the 12th party conference and the national party conference in December 1982. Some considerations in this regard can be seen by comparing more of the percentages mentioned. In agriculture our employed population represents 29 percent, foreseeing a corresponding evolution looking ahead to 1990; 36 percent of the labor resources are employed in Romania's industry, while this proportion is much greater in the group of socialist countries (45 percent) and is 38 percent in the developed capitalist countries; finally, there is a smaller proportion of employed population in the services sector as well as in the case of industry in Romania: 35 compared with 39 percent in the group of socialist countries and 56 percent in the group of developed capitalist countries. Also to be noted in the group of capitalist countries is even the trend of falling off of employment in industry and increase in services.

With regard to the structure of the Gross Industrial Product by branches, the situation is different. In the case of agriculture, Romania represents 11 percent, which is less than in the socialist countries examined(15 percent) and more than in the developed capitalist countries (4 percent) where, however, the structure of Gross Industrial Product is relatively much different than that in the socialist countries, a valuable detail in continuing the presentation: in industry Romania holds a greater percentage (64 percent) than the group of socialist countries (63 percent) and far higher than the developed capitalist countries (37 percent)!! Finally, in services Romania produces 25 percent of Gross Industrial Product while the group of socialist countries produces just 22 percent and the developed capitalist countries produce 59 percent of the GNP.

With regard to the ratio between percentage in Gross Industrial Product and percentage in employed population, the three sectors in Romania's case hold either values below the unit--lower (.4) in agriculture and somewhat higher (.7) in services--or values above the unit--high (1.8) in industry. These indicators of efficiency, according to the homogenization of technical supply and labor productivity in the three big sectors--evolve, as seen from the analysis of the 1950-1980 period, away from higher values toward values which tend toward 1.0 which already in 1980 were characteristic of the economically developed countries.

Corresponding with this process, it also should be noted that the countries with a high level of industrial maturity, of modernization of the macroeconomic structure are modifying the employment of the labor force between the three big sectors in zero or extremely small ratios: $\pm$.1--.3 percent.

In these developed countries, as a result of the stability of the structure of the big sectors, the sources for increasing per capita Gross National Product and GNP per employed person considerably change their proportions (Table 4).

Table 4: Break-Up of Structural Changes by Inertial Componence (gv) And Structural Componence (gw) and Groups of Countries In the 1960-1980 Period (%)

	Countries with low income	Countries with intermediate income	Industrial countries with market economy
Intertial componence (gv)	44.6	96.5	99.6
Structural componence (gw)	55.4	3.5	.4

Source: Calculations on basis of data from "Rapport sur le developpement dans le Monde," 1982.

Whereas modification of the macroeconomic structure (gw) in the countries with low incomes representsa high percentage (55.4 percent), it has a contribution of just .4 percent in the countries with a high income; the overwhelming, actually integral portion of the rise in income (99.6 percent) is obtained on the basis of the "inertial" componence, which is nothing more than the growth in labor productivity in each of the three economic sectors.

As a result, the growth in labor productivity and efficient use of the labor force are not limited to the three big sectors. The experience of the developed countries which have reached a higher degree of maturity of their macroeconomic structures shows that under the conditions of their stability and absence of their influence, the growth in productivity and in efficiency of using the labor force takes place under the domination of certain profound changes and shifts within each sector separately through development and modernization of their subbranches , from creation and extending of new subbranches, from assimilation of new products and modernization of existing ones, from broad-scale promotion of the mechanization and automation of production and from the scientific organization of production and labor.

All these microeconomic processes, even if they do not lead to a change in the macroeconomic structure, represent basic components in the qualitative improvement in the structure of the economy and in continually raising the degree of efficient utilization of the labor force and sustaining that rise. In this regard, a special role in the strategy of raising the degree of rational and efficient use of the labor force is played by making the enterprise a size which is adequate for the specific conditions of the branch and the international circumstances, the superior organization of the process of research, design and assimilation of modern products and technologies and the mechanism of leadership of the entire national economy. Generalizing the major requirements in the development of our national economy, Comrade Nicolae Ceausescu pointed out: "I feel it is necessary for us to move from the phase of quantitative accumulation to a new, higher phase--that of the struggle for quality. The time has come for us to change quantity into a new quality. This is the primary demand upon which the future of Romanian industry and the future of the entire national economy depend."*

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CSO: 2700/170

* Nicolae Ceausescu, "Report to the National Conference of the Romanian Communist Party," 7-9 December 1977, Bucharest, Political Publishers, 1977, pp 16-17.

FOREIGN EXCHANGE SAVINGS IN 1981/1982

Zagreb DANAS in Serbo-Croatian 15 Mar 83 pp 14-16

[Article by Ljubomir Cucic]

[Text] Foreign exchange savings are obviously a most attractive way for Yugoslav citizens to preserve the value of their money. Because of open borders and the relatively great import privileges, the number of people with foreign exchange savings has increased more and more in recent years. Liberal domestic banking controls and permissive private transactions in foreign currency have made a foreign exchange account available to many. The continued loss in value of the dinar in relation to the leading world currencies has coincided with an ever increasing number of money orders from our workers abroad and with the growing foreign exchange income from tourism. The proportion of foreign exchange deposits in savings accounts has been on the increase since the early 1970's. At the end of 1982 we had the equivalent of 482 billion dinars in foreign exchange accounts. This is twice the balance of savings in dinars, and at the current rate of exchange is equal to approximately $7 billion! But the contribution of foreign exchange savings in improving the liquidity of the country in international payments and in economic development is enormous.

Nevertheless, Yugoslavia has still not created the proper conditions for the lasting growth of foreign exchange savings. Instead of a well-conceived strategy for attracting the owners of foreign currency to domestic banks, we generally adopt to periodic and temporary measures. Recently we have also grasped for extremely restrictive regulations. How much such acts serve the material interests of the country is indicated by the fact that our citizens working abroad keep only one-third of their savings in domestic banks and savings accounts! The remainder of the almost $12 billion is kept in foreign banks, although they pay a lower rate of interest on these savings than do the Yugoslav banks. Without a doubt, this is a unique sort of crisis of confidence in domestic financial institutions, and in general indicates dissatisfaction with the conditions under which foreign exchange savings are handled. The steps that bankers have taken to increase this confidence are often not given adequate preparation, are short-term in orientation, and on the whole do not work the way they are supposed to work.

Currencies: At the end of 1982, savers had a total of 730 billion dinars in their foreign currency and dinar savings accounts, of which two-thirds were in foreign currencies. This amount is 50 percent higher than it was last year. However, this says nothing about the increase in foreign currency savings because during this time the dinar depreciated, for example, 49.4 percent in relation to the American dollar, 43 percent in relation to the German mark, etc. The greatest increase in foreign currency savings has been noted in banks located in the Socialist Autonomous Province of Vojvodina (62 percent) and the least in the Socialist Republic of Croatia (.. percent) and the Socialist Autonomous Province of Kosovo (43 percent). About one-third of foreign currency deposits are in banks located in the Socialist Republic of Croatia, approximately 23 percent are in the territory of the Socialist Republic of Serbia excluding the Socialist Autonomous Provinces, 15 percent are in the Socialist Republic of Bosnia Hercegovina, etc. Approximately half (49 percent) of all foreign exchange savings instruments have terms longer than 1, 2, and 3 years.

Data on individual currencies provide a more realistic picture of the movement of foreign exchange savings last year. Five currencies accounted for 90 percent of the currency structure of savings. Three-fifths of the foreign exchange demand deposits were in German marks. At the end of December of last year thre were 6.144 billion marks in these accounts, and a year earlier there were 5.556 billion marks, so there was a 9.37 percent increase. A great decline in savings was recorded during the last . months of last year, when a bank agreement limiting cash payments to .50 a month went into effect.

Demand dollar savings deposits in November and December did not decline, but thanks to a rapid increase in the first 10 months, they were as much as 18 percent higher than for 1981 as last year came to a close. But this increase was primarily the result of the rapid increase in the value of the dollar in relation to the dinar as opposed to other world currencies. Because of this, savers converted part of their savings which had been in marks, francs, and kronas into the American dollar. Sixteen percent of foreign currency accounts are not in this currency, and they total approximately $700 million. Eight percent of demand foreign currency savings are in the Swiss franc, and they now total 581 million francs. This is a one percent increase over last year. Five percent of savings are in the Austrian schilling. Accounts in this currency declined 3 percent. Those in the French franc declined one percent. Term deposits of Yugoslav citizens are at approximately the same level as they were in 1981. Most deposits have terms longer than 24 months.

Repurchase: Nevertheless, it is not apparent from these data whether foreign exchange savings are declining or increasing. In calculating the movement of savings, one must also take into consideration the fact that domestic banks have repurchased from savers 12 percent of foreign exchange. People sell foreign currency because they seek loans from banks. Generally speaking, foreign exchange savings actually grew last year compared to the year before. But this increase is nothing like we would want to have, especially since savings suddenly, and unexpectedly, decreased during the

the last 2 months of 1982. This was responsible to a large extent for the sluggish increase overall. But the one factor which is most responsible is that savers are not provided with adequate opportunities to use their money as they would like to use it, and they sometimes have feelings of uncertainty and insecurity imposed upon them by the conditions under which their money is kept.

At the end of October of last year, at approximately the same time that other restrictive measures were taken in the area of consumerism, the banks of Yugoslavia were advised to restrict cash payments from foreign currency accounts. The explanation for this was that it was necessary to reduce the outflow of foreign currency from the country. Without considering the consequences of this action, bankers obediantl· agreed to a limit of $250 a month in cash payments, or the equivalent amount in another currency. They also agreed that foreign currency payments in excess of $250 would be issued in the form of a check. These checks could only be cashed abroad, and it was assumed that, because of the required deposit for crossing the border and the decrease in import privileges that less money would be taken out the accounts. Checks were necessary to nullify the private sale of foreign currency. The official explanation was that this would introduce more contemporary methods of dealing with money into the bank practices. This is undoubtedly true, but even before this action was taken one could request payment in the form of a check from our banks. After all, financial operations cannot be modernized overnight, especially not by introducing restrictions in money management. The noticeable nervousness which took hold of savers during the second half of last year, as well as the various guesses about the fate of foreign exchange deposits, were partially justified with the introduction of the new bank controls. Oil had been poured on the smoldering fire. Many savers demanded that the banks pay them the maximum $250 a month every month. Many people preferred to put money in a sock than in a bank despite the extraordinarily high rate of interest, which for some forms of foreign currency accounts were as high as 12.5 percent. On the other hand, many depositors who had intended to put their money in the form of foreign currency in a savings account preferred to keep it in their pocket. There was then less money in foreign currency accounts. This is why foreign currency savings fell during November and December of last year.

Secrets and Business Transactions: Unfortunately, this was not the only negative consequence of the bank SAS, concerning the form of payment from foreign currency accounts (146 out of 166 banks accepted it, but all the local banks which belong to the Belgrade associated bank rejected it). There were those who were not discouraged by the introduction of deposits at border crossings and by the decreased import privileges. They decided to demand all of their money from their foreign exchange accounts from the banks. The checks they received they carried over the border and cashed. Some banks, and indirectly all others, were thoroughly humiliated by this. In some places, checks were issued, irresponsibly, which could not be covered by bank funds because of highly diverse currency outlays, and foreign banks cashed checks from our citizens for which they could not receive payment.

At the same time that these banking measures were taken, strict regulations were passed which provided harsh punishment for foreign currency violators. ... prohibited dealings in, and possession of, foreign currency. People who had foreign currency outside of banks at the time were caught by surprise. Under existing conditions they did not want to place foreign currency in an account, and if they hid it under a mattress they were violating foreign currency laws. The fact that members of the internal security forces were involved in this foreign exchange madness was no secret. Often, despite the fact that savings accounts are supposed to be a private matter, information about the holders of "fat" foreign currency accounts was demanded from banks by these agents. These types of incidents, at the border and elsewhere, have been talked about quite frequently lately. ... do not help in the least in returning the confidence of the populace back to domestic banks.

One of the reasons that savers are less inclined toward domestic banks is ... unbusiness-like behavior of the banks. When, for example, a Yugoslav ...er living abroad sends money to his relatives through one of our banks, ... is not notified that the money has been delivered for 3 months! Foreign banks notify him of delivery within 3 days. Our banks are actually luring savers away from other domestic banks by using different interest rates and ... conditions, instead of working together to increase the total number of savers. The forms and the amount of financing which banks have offered ... the last year or two have been rather modest. Housing loans, agricultural ... business loans, have only occasionally been approved in the majority of banks. The fault for this also lies with those who guide credit and monetary policy, which has been restricting bank investments more and more for several years now. Although the repurchase of foreign currency from Yugoslav citizens has been highly visible in planning documents, in practice this has not been carried out the way it was supposed to, for the most part. Because of a shortage of dinars, banks cannot always buy the foreign currency put up for sale by customers or approve loans for them. In 1981, approximately 11,000 requests for loans went unanswered. Most of these requests were for house construction and for business loans. It is estimated that $332 million in currency could not be repurchased because these loans were not processed.

Money Orders: Bank service has become obsolete; for the sake of economy the number of retail bank branches is decling, and high interest rates have not been able to alter many of the larger plans of savers. The desires of customers have not been accompanied by the appropriate forms of designated saving accounts. Banks have not been especially motivated to accept foreign currency for deposits. The value of the dinar in relation to other currencies has gotten worse rather quickly and because of differences in the exchange rate at the day of purchase and at the day of sale, much money can be lost. Only last year, banks were in the red by over 50 billion dinars because of exchange differences, and the nature of debt relationships with foreign creditors is such that they can demand payment of the whole loan if our bank operates at a loss.

The decrease in the number of our workers living abroad in western European countries has also had an influence on the decelerating growth of foreign exchange savings. During the period when the greatest number of Yugoslav citizens was working abroad, in 1973 and 1974, foreign exchange savings increased at the average annual rate of 36 percent. Ninety percent of our people working abroad are employed in the Federal Republic of Germany, Austria, France, and Switzerland. Compared with 1973, there are 31 percent fewer citizens working in these countries today, and there are quite a few of them who have not returned to this country even though they have lost their jobs. Ten year ago there were 535,000 Yugoslav citizens working in the Federal Republic of Germany. Today there are only 337,000.

Different measures have been taken in an attempt to stimulate foreign exchange savings, but since they are most often carried out without advance preparations, they do not always give the best results. Thus, in 1980, on the basis of a decision by the Federal Executive Council, we gave foreign exchange savers the right to buy certain products without having to pay the federal excise tax if they used dinars obtained from the sale of foreign currency. This retarded the negative movement in foreign exchange savings. But it quickly became obvious that there was another side to this action. The desire of Yugoslav citizens to purchase automobiles, furniture, and kitchen appliances without having to pay the excise tax was greater than the ability of the manufacturers to produce them. Problems concerning price, times of delivery, and the quality of the products appeared. Many people who had already sold foreign currency were not able to consummate their purchase plans. The dissatisfaction of the consumers had a negative effect on the influx of foreign currency into banks. We had a similar experience with credit exchange conditions. The same year, banks offered favorable credit for small business loans and for the construction of apartments on the basis of foreign currency sales. It did not take long for credit demand to overwhelm the banks, and not everyone could be satisfied.

The Turning Point: Last year the interest rate on foreign currency savings increased significantly, especially on term deposits. These interest rates are among the highest in Europe, and undoubtedly will help in attracting the foreign currency which is availalbe to invest into the banks. Savers receive 7.5 percent interest on demand deposits, 9 percent on term deposits of over a year, 11 percent on deposits over 2 years, and 12.5 percent on deposits over 3 years. In preparation is a new, more stimulative proposal. If it is accepted, on foreign exchange deposits, interest in dinars will also be paid. These interest rates would be much higher than foreign exchange rates mentioned above, and would be used exclusively at the request of the depositor. The rates would range between 13 and 20 percent depending on the term of the deposit. It is assumed that many people would decide to obligate their foreign currency savings and in this way significantly improve their personal budget with income from the interest. In this way, those who have enough foreign exchange would be able to live off the interest payments. Approximately $10,000 would be enough if obligated for three years; about 150,000 dinars would be collected in a year from interest. Dividing this figure by 12 would give the average monthly value of personal income. This action would doubtlessly attract many

holders of foreign currency to the banks, but other social and economic problems would emerge.

It is apparent that stimulating foreign exchange savings does not have to mean relying only on temporary market and credit relief and on interest rate stimuli. Ultimately, the majority of people do not save foreign currency in order to receive high rates of return but to satisfy certain basic needs. The purchase of a dwelling, the advancement of agricultural production and trade businesses, these are the main goals for the majority of savers. These are activities from which the whole society can benefit at the same time. What is important to savers is neither high interest rates or the sliding dinar, but a lasting credit system which provides the opportunity to plan for the construction of a house, open a business, or start farming. For these purposes, bank credit should be excluded from the general investment limits, the extraordinarily high interest rates on these loans must be reduced, and savers must be able to save foreign currency for deisgnated purposes. Finally, for once and for all, we must abandon the rigid administrative methods of regulating foreign exchange savings. How much benefit these methods bring to us can best be shown by the example of limiting cash payments from foreign exchange accounts. This type of thing cannot return confidence to domestic banks, or strengthen faith in them. And in closing, I would like to present one more item of information. To cover loans for citizens of Yugoslavia last year only 38.6 percent of deposits in savings accounts were used. The rest was directed at economic development in various forms.

How People Are Saving

The greatest proportion of foreign exchange deposits out of the total savings of local population is in local banks of Bosnia and Hercegovina (70 percent), and the least in the Socialist Republic of Serbia (41 percent).

The most money is concentrated today in the production sector (44 percent), and with private citizens (40.5 percent). Other organizations have 10 percent, social and political communities, 4.8 percent, and the federation, 0.6 percent.

In August of last ear, Yugoslavs held 860 billion dinars, of which 43 percent was in foreign currency. Nearly 80 percent of the money of Yugoslav citizens is kept in banks. Money kept "under the mattress" supposedly comes to only 176 billion dinars.

In 1972, Yugoslavs kept 76 percent of the money in banks in short-term accounts, or the so-called "demand" deposits. In long-term accounts there was 23.9 percent of the deposits. Nine years later, "demand" and short-term deposits in banks came to 66.8 percent of the total, with 33.2 percent in long-term accounts.

Last year, in order to approve loans, domestic banks repurchased foreign currency for 48 billion dinars from Yugoslav citizens. One billion marks, $77.7 million, 202 million Swiss francs, 198 million French francs, 672 million Austrian schillings, etc. were repurchased.

The greatest number of loans from the sale of foreign currency went for housing construction (57 percent), 12 percent went for small business, and 31 percent for other loans.

Table. Dinar and Foreign Exchange Savings in Yugoslavia
(in millions of dinars)

Republic or Province	Savings in dinars 12-31-81	Savings in dinars 12-31-82	Index	Savings in foreign currency 12-31-81	Savings in foreign currency 12-31-82	Index
Bosnia and Hercegovina	14,722	18,618	126	47,549	73,054	154
Montenegro	3,114	3,494	112	4,217	6,239	148
Croatia	46,462	60,490	130	106,366	155,355	145
Macedonia	18,498	24,229	131	25,809	40,112	155
Slovenia	31,898	39,334	123	31,898	47,080	148
Serbia w/o provinces	35,000	45,822	131	82,157	127,889	156
Kosovo	1,830	2,077	113	6,760	9,695	143
Vojvodina	18,002	24,373	135	14,933	24,249	162
All banks	169,526	218,437	129	319,689	482,673	150
Postal savings banks	24,384	28,662	117	------	------	---
Total savings	193,910	247,099	127	319,689	482,673	150

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